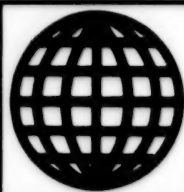


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3 AUGUST 1989



**FOREIGN
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JPRS Report

East Europe

East Europe

JPRS-EER-89-087

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GERMAN DEMOCRATIC REPUBLIC

EINHEIT Summaries of Selected Articles in June 1989 Issue

23000183a East Berlin EINHEIT in German
Vol 44 No 6, Jun 89 (signed to press
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[Text]

On the SED's Social Concept

[Summary of article by Prof Dr Otto Reinhold, member of the SED [Socialist Unity Party of Germany-GDR] CC [Central Committee], rector of the SED CC's Academy for Social Sciences, member of the GDR Academy of Sciences, foreign member of the USSR Academy of Sciences, member of the editorial board of EINHEIT; pp 483-489. Full translation of article appears in this JPRS report.]

What characterizes our image of developed socialist society? The concept of shaping developed socialism, founded in the party program, goes far beyond today, leaves room to adjust to new requisites. The efforts made to implement the universal precepts of socialist revolution under the specific conditions of the GDR. Finding ways and [developing] forms of shaping socialism which take into account our national conditions is part of the character of our policy. It continues to build on the proven principle of the unity of continuity and renewal.

War Must Never Again Start From German Soil

[Summary of article by Ernst Krabatsch, GDR deputy minister for Foreign Affairs; pp 490-496. Full translation of article appears in this JPRS report.]

How did the young German peace state from the beginning of its existence, and how does the GDR particularly in the present live up to this fundamental doctrine in national and international responsibility? This question is studied through basic foreign policy factors of the GDR's commitment to peace and this [issue] is further developed: The extent and substance of GDR efforts to secure peace—following historical responsibility, political reason, and socialist, deeply humanistic morality—have steadily increased; this includes own contributions to the joint socialist peace strategy.

Unity of Economic and Social Policy—The Core of Our Economic Strategy

[Summary of article by Prof Dr Dr Helmut Jozielek, member of the SED CC, director of the SED CC's Central Institute for Socialist Business Management, chairman of the Council for Scientific Economic Research, member of the GDR Academy of Sciences, foreign member of the USSR Academy of Sciences, member of the editorial board of EINHEIT; pp 497-503.]

The SED's economic strategy points to how in future, also, the means for implementation of the main task of unity of economic and social policy can be earned. With a view to the 1990's, which tasks are in the forefront? What growth sources must be increasingly opened up?

On the Comprehensive Self-Financing of Investments as a Component of Socialist Planned Economy in the GDR

[Summary of article by economist Guenter Ehrensperger, member of the SED CC, department head of the SED CC; pp 504-512.]

In the unity of continuity and renewal—based on the requisites of economic laws and socialist ownership—management, planning, and economic accounting are being perfected step by step in the GDR's national economy. What is the essence of comprehensive self-financing of investments? What experiences were had by the 16 combines successfully testing this principle since 1988? What are the consequences for the orderly proportional development of the economy, the shaping of the socialist performance principle, and the democratic cooperation of workers?

The Social Dimension of Scientific-Technical Progress

[Summary of article by Prof Dr Gerd-Rainer Radtke, lecturer at the Institute for Political Economy of Socialism of the SED CC's Academy for Social Sciences; pp 513-518.]

The pace at which the further shaping of the developed socialist society takes place in our country depends to a great extent on how we develop and master modern productive forces. Why is implementation of the unity of scientific-technical and social progress reserved for socialism, and how does the GDR implement this unity? Two of a number of questions, the answer to which show that scientific-technical and social progress in the long term can be linked only if the requisites of socialist planned economy are comprehensively taken into account.

The Peasant Was, and Remains, a Peasant

[Summary of article by Prof Dr Ulrich Thiede, corector for training and extended education of the SED CC's Academy for Social Sciences; pp 519-525.]

What does socialist agriculture mean under our republic's colors? The author shows the development of our agriculture into a productive part of the economy, proves how the universal precepts of socialist structure has gained importance in rural areas, and that cooperative property offers the best prerequisites and the proper social framework so that the peasant remains a peasant.

The Political System of Socialism in the GDR

[Summary of article by Dr Peter-Rudolf Zotl, head of the research sector at the Institute for Scientific Communism of the SED CC's Academy for Social Sciences, chairman of the problem-solving council "Political Organization of Socialist Society" at the Council for Scientific Communism; pp 526-531.]

What characterizes our society's political system? How do we ensure that the interests of the workers' class and of all other working people are always the starting and end point of national policy? What historical traditions and national characteristics find expression in our society's political organization? What are the new demands on the political system of socialism, growing out of implementing the decisions of the 11th SED Party Congress?

The German Democratic Republic—A Socialist Constitutional State

[Summary of article by Prof Dr Michael Benjamin, professor for research at the GDR Academy for Political Science and Jurisprudence; pp 532-537.]

How was the formation of the socialist constitutional state carried out under the concrete conditions of political and ideological class confrontations? What today determines content and effective direction of socialist rule of law? What guarantees for legal implementation exist in our country? Legal security is the crux of socialist constitutional law. New demands [are being made] on the training and extended education of cadres of the state apparatus and authorities of administration of justice.

Socialist Ideology in Our Revolutionary Struggle

[Summary of article by Prof Dr Erich Hahn, member of the SED CC, director of the Institute for Marxist-Leninist Philosophy of the SED CC's Academy for Social Sciences, chairman of the Scientific Council for Marxist-Leninist Philosophy, member of the GDR Academy of Sciences; pp 538-544.]

The dynamism of societal development, the increasing intensity of ideological confrontation in the intellectual life of our time are linked to new challenges to socialist ideology, are the cause of its growing role. Our party's experiences prove that the creative development and effective dissemination of socialist ideology were, and are, indispensable prerequisites for the successful implementation of its policy, which serves the welfare of the people. Consequences for our ideological work stem therefrom.

Patriotism and Internationalism in SED Policy

[Summary of article by political scientist Bruno Mahlow, member of the SED's Central Auditing Commission, deputy department head of the SED CC; pp 545-552.]

Forty years of GDR are also 40 years of successful mastery of the unity of socialist patriotism and proletarian internationalism. Stimulating arguments are presented, based on thoughts on the dialectics of national and international [matters] in view of new conditions, requisites and possibilities. Socialism under the colors of the GDR—internationalism always was, is, and will remain immanent in it.

Who Divided Germany?

[Summary of article by Prof Dr Rolf Badstueber, sector head of the Central Institute for History at the GDR Academy of Sciences, and Prof Dr Guenter Benser, deputy department head at the SED CC's Institute for Marxism-Leninism; pp 553-559.]

Germany was divided through the policy of the Western powers with the active cooperation of the German monopolistic bourgeoisie. The unity of the nation was sacrificed to imperialist interests. In accordance with the basic law of the epoch, with the founding of the GDR a decisive result of the struggles of those years, there came into being a stable cornerstone of peace and socialism in the heart of Europe.

Foreign Policy, Peace Commitment Discussed

23000183c East Berlin EINHEIT in German
Vol 44 No 6, Jun 89 (signed to press 10 May 89)
pp 490-496

[Article by Ernst Krabatsch, GDR deputy minister for Foreign Affairs: "War Must Never Again Start From German Soil"]

[Text] Among the fundamental lessons learned by communists and the other anti-Fascist forces of our country from the experiences of Nazi barbarity and World War II caused by Hitler's fascism, is the conclusion that everything must be done so that war never again starts from German soil. It was raised to a binding norm in the resolutions of the anti-Hitler coalition. The great responsibility arising therefrom toward our own people and all others, especially the European peoples, determined the founding of our socialist state as well as every phase of its development. From the first day it molded the foreign policy doctrine of the young German peace state. [and] all its peace and disarmament initiatives in four decades. Today and in future it is, and will remain, a continuous line of GDR foreign policy, a strategic task for whose solution one must work creatively and persistently under rapidly changing international conditions. At the end of the 1980's, at the threshold to the 1990's it presents itself in a historically new dimension. In it, constant and totally new factors combine in the dialectical context.

Basic Foreign Policy Factors of Our Commitment to Peace

First, mankind today is at the crossroads—either continuation of the confrontation and catch-up armaments course of the aggressive circles of imperialism, or a turnaround to disarmament and securing a peaceful future of mankind. The dialectics of the development of productive forces has brought about a new situation. With the revolution of military technology, war materials have grown beyond war goals. In a nuclear war there would be neither victors nor vanquished. But the military-industrial complex also cannot win the arms race since socialism possesses the potentials and prerequisites to secure the military-strategic balance under any conditions. The acute danger arising from the existence and further development of nuclear, chemical, and the latest conventional weapons of mass destruction compels even the powers that be of imperialist states to rethink their strategies.

Comrade Erich Honecker comprehensively analyzed this totally new dimension of peaceful coexistence at the International Karl Marx Conference in 1983 and derived from it the "historic opportunity...that in the fight for peace the most divergent forces get together, and that this fight attains a breadth that never before existed."¹ At the 7th meeting of the CC in November 1983 he justified the idea of a worldwide coalition of all forces of reason and realism. Cooperation of all forces of reason and realism—meanwhile a new, significant factor of world policy—can also create totally new guarantees that never again will war start from German soil.

Second, even after the historic beginning of actual arms reduction with the treaty on removal of Soviet and U.S. medium-range missiles, Europe, and Central Europe in particular, remains a powder keg never before known in history. The concentration of troops and armaments of the most modern type carries the danger that the smallest spark, intentional or not, would set off unimaginable amounts of nuclear and conventional explosives, would set free radiation from 200 nuclear power plants, the poison of large chemical and other production plants. The entire territory of the GDR continues to be within the reach of nuclear and conventional weapons systems of NATO. This is where an aggressor would have to be stopped. While striving for maximum profit, influential NATO circles simultaneously pursue an irresponsible course of "modernization" and compensation in all areas of weapons technology and hope to yet attain military superiority over socialism. The danger is growing that what has been achieved on the road to securing peace and arms reduction will be destroyed through a qualitative arms race, that current arms reduction negotiations will be "detached" from the technological arms race.

Third, from the GDR's geographic-political position at the dividing line of the two societal systems and their military alliances stems the GDR's great coresponsibility

for the political climate and the degree of security in Central Europe and on the entire continent. Whatever the GDR does or does not do, it always affects world events. A balance in Central Europe, which is indispensable for ensuring peace, is only possible with the GDR's political stability. The GDR, which is building socialism under open conditions, as a socialist German state does not confront just any capitalist state, but the FRG which possesses the greatest economic and military potential in West Europe, and considerable political influence. The policy of "keeping the German question open" and "Europeanizing the German problem by overcoming the division of Europe" still pursued by influential forces in the FRG—and without a sense for historical realities—is a threat to the GDR's national security interests as well as European and international security. For it aims—in whatever way—at detaching the GDR from the existing European system of balance and security. And because observing and respecting the territorial and societal realities, resulting from World War II and post-war development, are and remain the foundation of a stable European peace system, the political stability of the GDR is and remains of decisive importance for its internal development as well as for the balance in the heart of Europe and the continent overall.

Fourth, the GDR makes its contribution to securing peace, which is equally obligated to national security interests and the requisites of international security, within the framework of the coordinated peace and arms reduction program of the member states of the Warsaw Pact. In accordance with its constitutional mission, the security aspects concerning the alliance and those transcending it combine in harmonious unity with the GDR's national interests. This concerns not only the proper, best possible cooperation in implementing the comprehensive program of the socialist defense coalition for ridding the world of nuclear arms and other weapons of mass destruction as well as for a significant reduction in conventional armed forces and armaments. The GDR was and is working on making its own independent contributions, in close linkage with overall societal development processes of socialist society in our country. The influence and effect of its initiatives is determined to a great extent by how it succeeds in dynamically increasing its economic potential, its economic performance strength, and translating it into social progress. This corresponds to the objective connection between domestic and foreign policy. As a highly developed industrial state with modern agriculture, a significant science and education potential, and a working class linked for generations to modern production, it has a solid foundation for its contribution to improving the international situation, for observing its responsibility that never again will war start from German soil.

Fifth, the essential lines of world policy collide in the heart of Europe. Here appears with special clarity the fierceness of the battle of the two tendencies—the tendency toward detente, disarmament and cooperation

which is gaining ground, and the resistance of reactionary and militarist forces for whom this overall development does not fit into their plans.

The course of disputes about war and peace in the past years has shown that the prospect of a stable peace is real. The most aggressive circles of imperialism, even with the policy of confrontation and catch-up armament, were not able to gain military superiority and implement their most important goals. With the INF Treaty real arms reduction was initiated. Negotiations about conventional arms reduction in Europe have begun. With the peace program of the Warsaw Pact states, submitted at the meetings of the Political Advisory Commission in Berlin and Warsaw [held in 1987 and 1988 respectively], there are realistic initiatives for drastic reduction of all weapons types—on the principle of equality and equal security—to a level which meets defense needs exclusively. Although NATO so far is only willing to negotiate on the basis of military strength [and] continues to insist on the threat of nuclear weapons to implement political goals, although the proposals and steps of socialist states do not yet receive adequate response, points of contact in Western proposals are increasing under the pressure of realistic and peace forces.

Our Own Contributions to Joint Socialist Peace Strategy

In view of these foreign policy factors, it agrees equally with historical responsibility, political reason, and socialist, deeply humanistic morality that the extent and substance of the GDR's efforts to securing peace have consistently increased, and must increase. This occurs in several directions. The GDR cooperates constructively and actively in the planning and implementation of the peace and arms reduction policy of the Warsaw Pact states. Of particular importance are the meetings of the Political Advisory Commission of the Warsaw Pact, bilateral and multilateral meetings of the highest representatives, and meetings of the Committees of Foreign Ministers and Defense Ministers, respectively. In addition, it participates actively in the mechanism of meetings and consultations at the level of parties, governments, and their foreign ministries, respectively.

At the Berlin meeting of the Political Advisory Commission in May 1987, the member states of the Warsaw Pact confirmed with the document on military doctrine the exclusive defense character of their alliance and justified the principle of adequate defense. The GDR, in close coordination with the USSR and other allies, has done everything possible to promote the signing, coming into force, and implementation of the INF Treaty. It created foundations based on international law for the necessary control measures on GDR territory through the trilateral accord between the GDR, USSR, and CSSR, and the agreement between the GDR and the United States on inspections. The GDR made its contribution to working out the declaration of the Committee of Foreign Ministers, "On the proportion of numerical strength of the

armed forces and armaments of the Organization of the Warsaw Pact and the North Atlantic Alliance in Europe and the adjoining sea territories." With approximately 500 items on 26 categories of armed forces and armaments, total strengths and also national proportions are disclosed. The comprehensive official overview of existing disparities and the existing approximate balance of total forces between the Warsaw Pact and NATO aims at reducing mutual worries and easing, on a realistic basis, initiation of conventional arms reduction.

Like the USSR and other allies, the GDR will reduce—in accordance with the principle of adequate defense—its armed forces, armaments and the defense budget. Accordingly, by the end of 1990 the National People's Army will reduce its personnel by 10,000 men, which is about 6 percent of its present personnel strength. In conjunction with this, defense spending will be cut by 10 percent, 6 armored regiments and one air wing will be dissolved, and armaments will be reduced by 600 tanks and 50 fighter planes. This unilateral step makes it clear that the GDR is not only aware of its special responsibility at the sensitive dividing line between the Warsaw Pact and NATO, but also lives up to it through consistent action.

At the same time, the GDR is meeting its obligations to implement confidence-building measures as agreed upon in the 1987 Stockholm document. Thus in 1988 it received 177 observers of maneuvers from 23 CSCE states for three exercises on its territory, and dispatched 30 observers to 15 exercises. In a timely fashion, it gave to all CSCE countries the annual lists of military activities taking place on GDR territory which must be announced. Jointly with allied states it submitted far-reaching proposals at the Vienna negotiations concerning conventional arms reduction and other confidence-building measures which make result-oriented negotiations possible. These steps, in whose creation and implementation the GDR has a significant share, have created a unique situation and have forced NATO to move. The circles that demand that NATO respond with adequate steps today reach even into parts of the monopolistic bourgeoisie.

Simultaneously the GDR, in accordance with its specific political circumstances, also presents initiatives, some independent but coordinated with the alliance, some jointly with the CSSR. The proposals for a zone in Central Europe free of chemical weapons, a corridor in Europe free from nuclear weapons and a militarily thinned-out zone as well as further-reaching confidence-building measures in that region, for establishing a "hotline" between the GDR and the FRG, have lost none of their attractiveness. They are based on the principle of equality and equal security; in general [they] do not require lengthy negotiations, but primarily the political decision to take appropriate steps in the respective area for the continuation of the disarmament program.

These initiatives—some of the most important of them go back to proposals by joint work teams of SED [Socialist Unity Party of Germany-GDR] and SPD [Social Democratic Party of Germany-FRG]—so far have not met with concessions from official FRG circles, but were picked up and supported by other parties and political personalities in the FRG and beyond. The international conference for nuclear weapons-free zones, held in Berlin in 1988, speaks for itself, where—in addition to numerous political and societal forces from all continents—not only opposition parties, but also ruling parties from NATO countries declared themselves willing to gradually imbue this idea with life.

One significant step to remove the danger that a war will ever start again from German soil, or be waged upon it, would be the liquidation of tactical nuclear weapons. The GDR time and again has made it clear that in this area, also, a zero solution is the best and safest, and also most easily controllable variant. At the Berlin meeting of the Committee of Foreign Ministers, the Warsaw Pact states submitted a concrete offer of negotiations to the NATO states, which includes the possibility of a gradual proceeding.² Such weapons are stationed in great numbers in and around Europe, but so far are not being discussed at any negotiating level. Even their retention complicates the course and results of the Vienna negotiations on conventional arms reduction. The planned "modernization" and further stockpiling in NATO would destabilize the military-strategic situation and undermine what has been achieved in arms reduction. It is necessary, parallel to the Vienna negotiations and starting with consultations, to also initiate the negotiation process on tactical nuclear weapons.

The GDR made and makes special efforts in order to contribute through political dialogue at high and highest levels to obtaining results of detente and to deepen them through further steps. In that, it makes the concept of mutual security the focal point in order to help implement it as a maxim for action. It carries out a regular political dialogue with most of the NATO states and neutral countries of Europe on basic questions of security, in which the core proposals of the alliance's peace and disarmament program and its own initiatives are being explained. From this dialogue emanate stimulating impulses to the entire European security climate, to the continuation of the arms reduction negotiations.

The political dialogue with the FRG on questions of security and arms reduction remains a particularly important task. It is most tightly linked to the development of interstate relations on the basis of peaceful coexistence. Because of the well-known attitude of the FRG, it was and is not easy to get this dialogue started and expanded. But in the course of the fundamental change of the international situation in the past decades, the ruling circles of the FRG have not only had to recognize and respect the reality of the socialist German state, they also have had to adjust to its active participation, based on the norms of international law, in

international relations. While it has acceded to many steps for shaping normal relations based on equal rights, the government of the FRG for a long time tried to evade the dialogue of security policy. But the government of the GDR has not become discouraged.

Comrade Erich Honecker's official visit to the FRG and the accord on a joint communique created a new situation with regard to assuming joint responsibility for the preservation of peace in Europe: The leading politicians of both German states set down in the communique both the basic mutualities regarding arms limitation and arms reduction, as well as the areas of "need for action." The first extends from the "principle of equality and parity," a "stable balance of forces at as low a level as possible," [and a] "reduction of imbalances," to "effective verifiability." The second concerns such areas as the contribution to nuclear disarmament, stoppage of testing, conventional arms reduction in Europe, measures building confidence and security, global chemical disarmament.

The GDR time and again has submitted new, constructive proposals and offers to flesh out this accord. They stretch from proposals for the creation of zones free of nuclear and chemical weapons, the suggestion to jointly oppose modernization of tactical nuclear weapons and to increase activities and consultations concerning the current disarmament negotiations, to the defense minister's offer to hold talks about military doctrines and the principle of adequate defense. There still has been no positive response, although the GDR has made it clear with regard to all suggestions for joint or parallel action that it does not thereby intend any attempts at "applying leverage on alliance decisions."

Particularly because no war must ever again be started from German soil, the growing activities of neo-Nazi forces in the FRG and their support by influential circles of the monopolistic bourgeoisie cause extreme concern. The Warsaw Pact states point with great emphasis to this very matter in the appeal adopted at the Berlin meeting of the Committee of Foreign Ministers. "For a world without wars."³ It remains the basic position of the GDR: Socialism and peace are unthinkable without forward-directed antifascism. That is a fundamental element of the historic responsibility of both German states for securing peace. Anti-Fascism must not only be preserved, it must time and again be filled with life. Every generation must find new access to it.

For the Continuation of the CSCE Process

The unilateral steps and bilateral activities of the GDR for reducing the danger of war through disarmament are complemented by constructive conduct and action in multilateral frameworks. Globally, this holds true for its work in the United Nations, at special UN meetings on disarmament, and above all in the second disarmament decade. With regard to Europe, this concerns above all

its work in the CSCE process. The system of confidence-building, which is developing on the basis of the Final Act, of strengthening security and cooperation in Europe, has proved itself. It can indeed become the basic unit and the scaffolding of a "joint European house." In this process, unique in the history of Europe, the GDR has submitted and successfully upheld a great number of proposals—independently and jointly with other socialist countries—in order to reach tangible results in the interest of security and cooperation. They are reflected in the Final Act of Helsinki as well as in all documents based thereon of subsequent CSCE meetings.

Accordingly and simultaneously, our state has purposefully imbued with life all agreements entered into therein. That is also its basic attitude toward the Concluding Document of the Vienna CSCE meeting. The GDR considers it positive that thereby, for the first time within the framework of the CSCE process, negotiations were initiated on conventional disarmament in Europe, and appreciates the stipulations contained in this document on developing cooperation in the most diverse areas on an equal rights basis. It will implement the Vienna document within the framework of its national legislation and policies, as was agreed upon. At the same time, the GDR also expects such an approach by all other participating states.

All these assessments, however, require an essential supplement for a topical reason: This process will only be able to function in the long term if its participants are guided by the agreed-upon "basic rules of business," the principles determined in the Final Act for the shaping of international relations. Efforts by certain NATO countries to abuse the CSCE process for undermining socialist society, weaken the trust and basis of cooperation [and] undermine the chances for further disarmament steps. Europe today, also, is a gravitational field of international class confrontation; at the same time, it can and must play an extraordinarily important role in solving the key issues of global politics. But as a focal point where the most divergent contradictions of our time are concentrated, it [Europe] is capable of it [this role] only if it truly is a model case of peaceful coexistence between socialist and capitalist states. This in turn will only be the case if the existence of the respective other system of society, as incompatible as its set of values may be with one's own, and the legitimate interests of every participating state are respected.

This holds fully and entirely true with regard to international cooperation in the area of human rights. In the subsequent Vienna document the participating states agreed to make great efforts everywhere in order to completely implement human rights in their entirety. In this sense—not to aggravate confrontation—they must become a greater field of international dialogue and cooperation. The approach by certain circles in NATO countries to implementing these respective Vienna agreements lacks any serious intent in view of mass unemployment, new poverty, the lack of prospects for

many of the young, a state of housing and educational emergency, prohibitions to practice one's profession, xenophobia and neo-Nazi machinations, and not least of all endangering peace through new armament activities in a number of countries of the capitalist world.

With regard to human rights, the GDR acts from a fundamental position: Their implementation is constantly being perfected in accordance with its internal dynamic development, [and] the further development of socialist society. No one claims that the GDR already has the most effective solutions for everything. But here, on the firm ground of socialist conditions of ownership, production and power, in a society free from exploitation and oppression—in great contrast to the capitalist two-thirds of society—as a matter of principle there are no limits for such solutions. The ever more perfect implementation of human rights in combining personal, political, economic, social and intellectual-cultural rights here is a preceptive process whose progress is above all determined by the development of the country's economic strength, by the comprehensive democratic cooperation of its citizens in all areas of society, and not least of all by every step forward on the way to disarmament and securing of peace.

The imperialist slander campaign, carried out with increasing fierceness with reference to the Vienna document, is meant to distract from the ills of their own system. It is also the attempt to abuse the Vienna document in order to impede the process of healing of the international situation and to torpedo further stabilizing steps. Historical experiences, also, show that this will not succeed: The GDR, [and] socialism [in general], have time and again emerged stronger from such trials.

It is natural that particular significance is paid to Europe in the GDR's efforts to prevent a war ever again being started from German soil. Nevertheless, there is no room for Eurocentrism in our foreign policy. Despite all differences due to history and geography, the GDR in its policy of peace seeks and develops relations with countries of the most diverse regions. Despite the differences in the extent and kind of relations and contacts, the degree of commonality is growing in the approach to the basic questions of our time, particularly the questions of peace and disarmament. The GDR has noted with particular interest how, in recent years, those not tied to pacts have increased their commitment and activities for peace and disarmament. That is proven by many initiatives introduced by this group of states, such as the six-nation initiative or the programmatic declarations of this movement's summit conferences. The GDR actively supports the disarmament concept of these countries and does everything [possible] in order to strengthen the developing solid basis for parallel or joint proceedings, respectively, in these questions. Already today the contribution of these countries has become indispensable for securing peace.

At the end of the 1980's, the demand and obligation that never again must war start from German soil is as topical as ever. In the 1990's, also, the international situation, developing in a complicated and dynamic fashion, poses great challenges for GDR foreign policy. Overall there are more favorable conditions for completing the already initiated turnaround from confrontation to cooperation and detente. This process certainly will not move in a straight line, for the resistance of the conservative forces of imperialism, banking on military strength and nuclear deterrence, is growing stronger. But socialist foreign policy will also prevail in coming years because it is constantly reexamining and adapting its methods and strategies. This means for the GDR to continue carrying out its historic responsibility through a calculable and constructive policy and its own initiatives within the framework of the joint peace program of the socialist states. It demands defending the positions of socialism consistently and flexibly and constantly opening up new possibilities for ensuring international security.

Footnotes

1. Erich Honecker, Rede auf der Internationalen Wissenschaftlichen Konferenz des Zentralkomitees der SED "Karl Marx und unsere Zeit—der Kampf um Frieden und sozialen Fortschritt" [Speech at the SED's Central Committee's International Scientific Conference, "Karl Marx and Our Time—the Struggle for Peace and Social Progress"], EINHEIT, No 5, 1983, p 426.

2. Compare Erklärung der Teilnehmerstaaten des Warschauer Vertrages zu den taktischen Kernwaffen in Europa [Declaration of the Member States of the Warsaw Pact on Tactical Nuclear Weapons in Europe], NEUES DEUTSCHLAND, 13 April 1989, p 3.

3. Compare NEUES DEUTSCHLAND, 13 April 1989, p 3.

SED Sociopolitical Aims Explained

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[Article by Prof Dr Otto Reinhold, member of the SED [Socialist Unity Party of Germany-GDR] CC [Central Committee], rector of the SED CC's Academy for Social Sciences: "On the SED's Social Concept"]

[Text] Although we can point to great achievements in the GDR's 40th year, to changes which in four decades were more far-reaching than in previous centuries, which in their historical dimension are incomparable in the history of our people, we are nevertheless still on the way, we continue shaping the developed socialist society according to program. While summarizing what has been achieved, with the strength and optimism gained therefrom, we focus primarily on the present and future. All efforts must be concentrated on solving those tasks set within the framework of the present 5-year plan to the

end of the 1980's. This includes above all solving the housing question as a social problem. At the same time we focus on the 1990's and beyond.

The 12th SED Party Congress, called for May of next year, will answer the question how developed socialist society in our country is to be shaped further. In preparation for this highest forum of the Communists in our country, the Central Committee at its 7th meeting determined the decisive outlines. The Politburo report submitted by the general secretary contains the definition of the party's position on all issues. It is based on the premise that we are living in a time "in which the development of productive forces becomes more and more a criterion of societal developments. This addresses all sectors of our society, politics as well as the economy, our social policy as well as intellectual-cultural life, i.e. everything we understand, on the basis of our party program, as the further shaping of developed socialist society, which is a historical process of far-reaching political, economic, social and intellectual-cultural changes."¹

In solving the related task of bringing into full play all the driving forces of our social society, developing all areas of societal life at a high level, we shall, as Comrade Erich Honecker said, "retain what has proven useful, throw overboard everything that impedes our progress, and tackle many things in a new way."² That means we continue to build on the proven principle—proven not only in the history of our republic-of the unity of continuity and renewal.

We have a program which, through its inherent concept for the shaping of developed socialism, points far beyond implementation of the resolutions of the 11th Party Congress. It meets all essential requisites at the threshold of the new millenium and leaves room to correspond to new requisites. The continuation and more precise definition of our concept of socialism according to these new requisites, corresponding to the foreseeable internal and external conditions in the 1990's, is a concrete expression of this very unity of continuity and change. Continuity concerns the societal goal-setting of further shaping developed socialism with its core, the unity of economic and social policy, which we shall also carry into the new century. To preserve this continuity requires the creation of constantly new preconditions through our economy's performance capability, the necessary prior training, through strengthening the material basis for this policy, as well as the creation of intellectual and political prerequisites needed therefor.

Indispensable Foundations

In view of the great processes of change in the world, a clear picture of socialist society and its development is of special importance. First of all, for ideological reasons. Day after day, working people in industry as well as in all other areas of social life perform strenuous and fruitful work. Everywhere, demanding and complicated tasks

must be solved. It must also be clear in the new decade which social goals, which ideals and values we are striving for. Knowledge, and acceptance, of these ideals and values constitute an important impetus that socialist society cannot do without. Secondly, a clear idea of the future of our country's socialist society is necessary so that a promising strategy and tactic can be determined for every individual sector. In the 1990's, also, we need an annual economic growth of about 4 percent. But it concerns not only determining quantitative growth goals, no matter how important that is. We must also know precisely with what aim we are struggling for the highest possible economic effectiveness. Social goals for us are always the beginning and end of all economic tasks. Hence clarity about social, about societal aims is necessary in order to be able to continue implementing a promising policy for the economy and all other sectors of society.

It is evident that the linkages and interrelations between the various sectors of our society are becoming ever closer and ever more significant for the progress of society as a whole and for every stage of its development. Of course, the economy is, and remains, the decisive basis. But the struggle for broad, economically effective application of modern key technologies can be successful only if the necessary preconditions are being created in all other areas. Let us only consider education, and in general, the required intellectual-creative atmosphere. An important advantage of socialism consists in the very fact that these interrelations can be shaped deliberately, consistently, and for the long term. With our party program we have the necessary overall concept, scientifically justified ideas about developed socialist society, which must be more precisely defined according to changing conditions and new requisites.

It must be taken into account, however, that in the world of socialism, profound processes of change are taking place in great variety and sometimes in very contradictory forms. Our party takes this as an occasion to intensify the exchange of experience. In order to be able to assess the differing experiences, to be able to decide which of them are useful for us and which are not acceptable for us, it is all the more important to have a well-founded standpoint, [and] clear ideas of socialist society.

Our image of our country's socialist society is determined by three basic elements. First are the foundations of socialism, formulated by Marxist-Leninist theory and proven in practice, the general precepts of socialist development. They include the political power of the workers' class in alliance with other working people, the leading role of the Marxist-Leninist party, societal ownership of the decisive means of production, societal management, and planning, as well as the dominance of socialist ideology. Second are the goals, ideals and values of socialism, inseparably linked to the former. In our country, center stage is held by the unity of economic and social policy, social security, the free development of

personality, and socialist democracy. The basis therefore is the economy, comprehensively and permanently transferred to intensively expanded reproduction, and hence the maximum utilization of the scientific-technical revolution. Third, we must always face the question anew how these goals can be concretely achieved in the respective historical period. For us, the unity of economic and social policy has never been, and is not, negotiable. But time and again we must answer the question what new preconditions are needed for it, with what emphases this unity is to be shaped in practice. Our economic strategy has proven itself, so we will continue to pursue it. However, this is possible only if we correspond to the respectively new requisites. Renewal, dynamic change is the condition for the continuity of our policy for the welfare of men, just as this continuity simultaneously is the precondition for mastering the new challenges facing us. In this sense we are facing the task of precisely determining the further shaping of developed socialist society in the 1990's. That is a decisive element of our image of socialist society at the end of this century.

In Accordance with Our National Conditions

In accordance with the other communist parties of socialist countries, the SED starts from the premise that there cannot be, nor is there a universal model of socialism. Every party itself is responsible for its strategy and policy. To implement the universal precepts of socialism according to one's specific conditions, possibilities and requisites—that is the concern. And in this very sense we speak of socialism under the colors of the GDR in order to express, and correspond to, the specifics of our country in shaping developed socialist society.

When we assume that there can be no universal model of socialism, naturally this does not mean that our image of socialism is constantly subject to change, that its elements must constantly be reformulated. We hold the opinion that the universal precepts of socialism are the inalienable foundations of socialist society, that without them there can be no successful development of the socialist order in the long term. When we speak of socialism under GDR colors, it is not a matter of perhaps establishing [our] own universal precepts—this would be a contradiction in itself—but a matter of creatively applying and using the universal precepts under the concrete conditions of the GDR, to sharpen the focus on goals, ideals, ways and forms determining our development.

The endeavor to find ways and forms of socialist development corresponding to our national conditions has always been a part of the nature of our policy. However, in building socialist society in our country [certain] experiences of the Soviet Union were sometimes adopted which did not correspond to the conditions of our country. Yet one must not forget that every step of socialist development was a thrust into historically new

territory, for which at first there were concrete experiences in one country only, the Soviet Union, which at times led to adopting these first and only experiences. And yet: This was never the determining tendency. The endeavor to implement the universal precepts of the socialist revolution under the specific conditions of the GDR, and finding ways and forms of shaping socialism which have corresponded and correspond to our national conditions are historically proven. In addition to the CSSR, the GDR already at the onset of socialist development was a country with a relatively highly developed industry and agriculture. Despite the great destruction due to the war and the consequences of the division of Germany by imperialism, we possessed important potentials and experiences which had to be utilized. This includes above all the fact that the predominant majority of working people—for generations already members of the workers' class—were linked to modern production. A similar situation applies to the potentials existing in science, and to the wealth of experience of farmers and craftsmen. Hence the necessity and possibility to tap these potentials for socialism, to win them all for socialism, was from the very beginning one of the basic elements of our party, its policy of alliance, in which were included small and medium-size entrepreneurs, even large-scale farmers—also during the transition period from capitalism to socialism.

The German workers' movement has over a century of experience from many class struggles for the social and democratic rights of working people. The ideas on socialist society, the expectations raised are largely defined by these experiences. This concerns socialist democracy as well as social goals. Thus socialist society is measured by the permanent, final overcoming of the basic ills of capitalism such as unemployment, housing misery, educational privilege, the lack of workers' rights in politics, and the economy.

Among the specific conditions for socialist development in the GDR the fact played a special role that, in our country, the new society had to be built on the material and spiritual ruins left behind by German fascism. To eradicate fascism and militarism was the fundamental condition for transition to socialism. Hence the antifascist-democratic cataclysm became the necessary starting point of the socialist revolution. The radical settling of accounts with all forms of the fascist, chauvinistic ideology was a fundamental prerequisite for that. Consequently, the anti-Fascist character, the international-minded attitude, the struggle for peace became a decisive characteristic also of socialism in the GDR.

The GDR is shaping socialist society at the dividing line of the two societal systems and the strongest military alliances ever known in history. This fact has deeply influenced the ways and forms of shaping our socialist society and will also stamp the future.

It must be remembered that the SED and the other democratic forces for many years have fought both for a new society and also for the democratic unity of Germany. It is well-known that aggressive imperialistic

forces in the FRG and the Western occupation powers, aiming for social and political revenge, prevented a democratic solution to the German question still existing at that time. Although today there no longer exists an "open German question," and history long ago has its say on it, the specific way of our socialist state is strongly characterized by the fact that we established, and are further shaping, our new societal order on a part of the territory of a once united German state. Especially in the interest of peace, security and fruitful cooperation in the heart of Europe, and in view of continuing attempts at interference and disturbance by imperialist circles, the constant struggle for shaping and ensuring a constructive relationship between the socialist GDR and the capitalist FRG on the basis of the principles of peaceful coexistence occupies an important place in the policy of our party and our state.

In the history of world socialism, the GDR is so far the only country where the transition period from capitalism to the socialist order was carried out under open borders with capitalism. It is well-known that the measures to secure our national border in 1961 and the solution of essential tasks of the transition period occurred concurrently. The firm linkage of the party to the people, the establishment and shaping of the new society in firm alliance with all classes, strata and political forces was thus all the more one of the pivotal issues of the socialist revolution in our country.

All steps and reforms were deeply stamped thereby. It must be remembered that only Nazi activists and war criminals were expropriated. Until 1972, many thousands of small and medium-sized private enterprises were in existence. Their character was gradually changed through state investments. Only in 1972 were the still existing private shares bought up by the state. Many of the former private entrepreneurs became managers of the new socialist enterprises. The land was not nationalized and is the property of the farmers to this day. Many former large-scale farmers became members of the LPGs. About 40 percent of retail stores and restaurants are private property.

Of particular importance under the conditions of our country was the formation and continuous development of a multiparty system and the creation of a multitude of societal organizations which manage to express the specific interests of the various classes, strata, and groups and also implement them in accordance with societal interests. Not only this variety was and is decisive, but also the fact that time and again we succeeded in bringing about an agreement of interests and reached joint action. Each party and societal organization makes its own unmistakable contribution to the shaping of socialist society.

In the future, also, we shall take into account that developed socialist society must be shaped under conditions open to the world. The border between the GDR and the FRG will certainly remain for a long time to

come the most sensitive border in the world. Nowhere in the world are so many state-of-the-art weapons—nuclear as well as conventional—concentrated as at this border. The FRG Government denies the international-law character of this border. As before, it does not recognize GDR citizenship and proclaims for itself a so-called caretaker duty for all Germans, i.e., also for GDR citizens. As before, they still dream of "keeping the German question open." And those are very dangerous dreams—dreams of "bringing the GDR home" into the realm of capital. Thus the political stability of our country is all the more important for internal development as well as stability in Europe.

The GDR develops, embedded in the confrontation of the two societal systems. It faces directly not just any capitalist country, but the FRG. And it [the FRG] has the greatest economic potential in Western Europe, it is the greatest military power in NATO—after the United States—, it is among the West European countries with the highest standard of living. Naturally, this establishes yardsticks and influences expectations of the socialist society in the GDR. All the more so, since every year there is intensive travel between the two German states in which many millions of GDR citizens participate. Hence internal and external factors are interlinked in a specific manner in shaping developed socialist society. Without taking this into account, there can be no successful development of socialism in our country.

Firmly on the Course of Unity of Economic and Social Policy

From that, our party has drawn the conclusion that under these conditions it is all the more important to consistently live up to the meaning of socialism, to do everything for the welfare of the people, and to secure and further deepen a firm link between party and people under all conditions. For this very reason the unity of economic and social policy is one of the most important characteristics of socialism in the GDR, which we have been pursuing with the greatest resolve since the 1970's and shall also continue in the 1990's. It is further a matter of pursuing a strategy through which dynamic development in the economy, in science and technology is translated into social progress to be perceived and experienced by everyone, into a constant improvement of working and living conditions.

Decisive for that is the transition to intensively expanded reproduction, completed in our country, which the party recognized in good time as necessary and thus initiated it. Since the beginning of the 1980's, economic growth in the GDR has been primarily based on lowering expenditure with regard to production consumption as well as human labor. For several years now an important criterion of intensively expanded reproduction has been met—labor productivity is growing faster than production. Continuity and dynamism characterize the economic development.

In discussions among economic scientists from socialist countries, sometimes the opinion is expressed that in the economic development of socialism, also, phases of stagnation could alternate with dynamism. Others are of the opinion that qualitative growth alone is decisive. Our party rejects such opinions in principle for the GDR. For us, qualitative and quantitative economic growth is a matter of survival. For the 1990's, also, we need a growth rate of about 4 percent in order to serve the welfare of the people, to meet the sociopolitical tasks, to ensure expanded reproduction under the conditions of the scientific-technical revolution, and to live up to international obligations. Without such dynamic growth we would be left behind without a chance in the confrontation of the two societal systems.

The dynamic growth of the economy is the foundation and characteristic trait of socialism in the GDR. In contrast with other socialist countries, which are facing the task of implementing the transition from stagnation to a dynamic economy, in the 1980's we in the GDR have secured with great continuity an average annual growth rate of the national income of over 4 percent. And this very dynamic development must also be continued in the next decade under changed and further changing conditions.

Naturally, this dynamism demands a number of essential preconditions. Such growth is possible today only if modern key technologies are utilized with greater speed and high economic effectiveness, if the technological process of change in all sectors of the national economy is accelerated. Thus it is a part of the essential characteristics of shaping developed socialist society in the GDR that we have concentrated on modern productive forces without ifs and buts. The development of micro-electronics is an example. In the coming decade, also, the linkage of the scientific-technical revolution with the advantages of socialism, thereby effecting a significant increase in economic effectiveness, is decisive for the further development of our socialist society. Only in this way can we create the material prerequisites for our long-range social and societal goals. Rapid development of modern productive forces is the starting point and basis for further developing the system of planning and management, for progressive shaping of social relations, for further expanding socialist democracy, particularly in the economy, and for responding in a pioneering manner to other issues of societal policy. An important characteristic of SED policy consists in having recognized these challenges in time and having directed the entire party, the trade unions, youth association and the other societal organizations toward solving these tasks.

A further condition for continuous growth was, and is, the change in the system of management, planning, and economic accounting. The dynamic economic development in the 1980's has been possible only because, already since the 1970's, the planning system has been adapted to the requisites of the scientific-technical revolution and restructured accordingly. The formation of

combines was the outstanding characteristic for that. We have never considered the shaping of the planning system as concluded, but rather, always open to advance. Thus extraordinarily important changes are being initiated for the requisites of the 1990's. The gradual introduction of the principle of self-financing of investments proves to be of central significance for the further development of socialist production conditions. As a consequence, economic accounting is set up in such a way that the combines, with comprehensive application of the principle of self-financing of investments with the aid of long-term normatives, become interested in rising profits through their own high performances. We start from the premise that a dynamic development of the economy requires above all a dynamic development of modern productive forces, particularly of key technologies. But that is possible only if socialist production conditions are dynamically developed and changed in a timely fashion.

A highly effective economy is the foundation for the unity of economic and social policy. We follow this basic principle with great resolution. This unity has long since become one of the most important characteristics of socialism under the colors of the GDR. Today and tomorrow, it determines primarily the attractiveness of socialism in our country. Its goal is to create all necessary conditions so that man can live and develop as a human being. [An effective economy,] in particular, confirms the perception in daily life, in practical experience, that socialism is the humanistic alternative to capitalism.

It has become evident that those forces of the capitalist world, striving to change socialism into a form of bourgeois democracy, joyfully welcome it when it is stated in some socialist countries that in socialism, also, unemployment and social insecurity are warrantable, that one must create a labor market, treat housing as a commodity, and adopt other methods and experiences of capitalism. Do such phenomena make socialism attractive to working people? Why should one uphold a socialism which adopts the basic ills of capitalism?

The SED has clearly formulated its position and the basic outlines of its policy. It starts from the premise that the unity of economic and social policy is, and will remain, the centerpiece of its societal policy. It is the most important source of the driving forces of socialist society, the foundation for the firm linkage of party and people, and hence for our country's political stability.

Social security, the right to work implemented in practice, the solving of the housing question as a social problem, the promotion of youth, price stability for basic goods, for rents and wage scales, the conditions for free development of talents and capabilities, democratic cooperation in all important decisions in the economy and society, the right to, and actual possibility for

recreation—these are fundamental characteristics of our policy, of our country's socialist society. We have fought for them resolutely, and will continue to do so—for the benefit of man.

Footnotes

1. Mit dem Blick auf den XII. Parteitag die Aufgaben der Gegenwart loesen, Aus dem Bericht des Politbueros an die 7. Tagung des ZK der SED [To Solve the Tasks of the Present with a View to the 12th Party Congress. From the Politburo report to the 7th meeting of the SED's CC], reporter: Comrade Erich Honecker, Dietz Publishing Company, East Berlin 1988, p 12.

2. Ibid., pp 12-13.

HUNGARY

Veil of Secrecy Concerning Maps Partly Lifted

New Availability of Maps

25000340b Budapest HETI VI-AGGAZDASAG in Hungarian 17 Jun 89 pp 54-55

[Article by Gabor Juhasz: "Secret Maps: 'They Scaled It'"]

[Text] After 40 years, all civilian purpose maps have been made public in Hungary. The maps may be purchased by anyone. They are confident that as a result of this decision, and as a result of increased map sales, a larger part of the costs of thus far state funded civilian cartography will be reimbursed from sales revenues.

One would look in vain for the Lehel street building of the Ministry of Defense on the "second, corrected" edition of the Budapest City map that appeared on store shelves in 1988. Nothing on the map indicates that one could find there the headquarters of one of the Hungarian state administrative institutions, but the rest of the ministries were also "left out" of the map. Thus it may seem natural that purely on the basis of the map, the relatives of an enlisted man would face an impossible task if they tried to find one or another barracks in Budapest. It wasn't always this way: The 1896 city map of Budapest diligently showed the barracks, accurately indicating that here or there one would find the buildings of the "imperial and royal artillery barracks."

Although publicly circulated Hungarian maps continue to remain this "shy" with regard to military objects, secrecy was discontinued last month with regard to so-called basic maps serving civilian purposes. "'For Official Use' restrictions appearing on existing land survey and cartographic documents are no longer valid," according to a decree issued in May by the minister of agriculture and nutrition. As we learned from the Office of Land Survey and Cartography of the Ministry of Agriculture and Nutrition [MEM]—the office in charge of preparing commercially unavailable so-called basic

state maps—these maps have become public, available to anyone at the Survey and Remote Sensing Institution and at land offices. (The decree applies to the appropriately named Uniform National Mapping System—'uniform' because within that system they measured, and still measure, the country at scales ranging from 1:1,000 to 1:200,000 in various "enlargements.") Thus far, these maps have been available to state organs only, including industrial and business organizations. The latter were, and are expected to remain, the large volume buyers: These maps are used in planning to locate a plant, just as they are when designing the path of a highway.

Some lack of confidence accompanies the present "openness". Those who purchase maps will continue to be registered so that subsequently it may be determined to whom, when, and what type of official state map was sold. The other use restriction: The copying of maps purchased is subject to a license in lieu of a fee, because maps qualify as intellectual creations. With these restrictions, nevertheless, 40 years of secrecy has come to an end.

"The first detailed map of Hungary was prepared on orders of Maria Theresia," according to Arpad Papp-Vary, deputy chief of the Land Survey and Cartographic Office. "That map was prepared for military purposes and was kept secret." A second, similar land survey was prepared between 1806 and 1869, but this one became part of public domain after the Compromise [1867]. Except for periods of war, from then on until 1949 anyone could purchase certain military maps in Hungary. Based on a government decree in 1949 they collected all the old maps, and in 1950 and 1951 the Hungarian Army changed over from the earlier Hungarian mapping system to the Soviet system. Accordingly, the symbols were changed for example, and at the same time the maps were classified. Military maps containing state secrets became top secrets, accurate maps became secrets, and even the large scale maps showing major features only were classified for "official use only." "As a result of this decision generations grew up in Hungary without ever seeing a real map," according to Papp-Vary. State organs could purchase maps classified as secret, but if they did they were supposed to hire a person in charge of maps. These maps had to be stored in a room whose door and window were equipped with iron bars, and strict records had to be kept regarding who saw the maps.

Based on a Warsaw Pact decision, each member country separated military maps from civilian maps in 1966. Civilian versions of maps were prepared by simplifying military maps. At the military's request the network of longitudes and latitudes was deleted, saying that the network would provide fixed points for the enemy's rocket squadrons. "This decision rendered these civilian maps virtually useless," according to Papp-Vary, "because pinpointing locations became difficult." For this reason a 1969 government decree provided for the establishment of a uniform state mapping system.

Although it was not permitted to include a network of longitudes and latitudes into this system either (it contained only a network of kilometers to determine the location of settlements), and its symbols were different from those used on military maps, these civilian maps also remained secret.

It soon turned out that the great lack of confidence was totally unnecessary, according to the deputy chief. Beginning in 1972 the United States sold civilian satellite photographs in which objects sized 80 meters by 80 meters could be distinguished. (Moreover, since 1984 the French have been selling photographs which identify objects 10 meters by 10 meters large, and on which tanks proceeding on a road could be identified.) The fact that secrecy did not make sense was ultimately revealed when in 1978 the United States discarded its old military maps—including those showing the maps of Eastern and Central Europe—and sold them through a West German firm. "This created great sensation in those days, also we ordered some from Hungary," according to Papp-Vary. In Papp-Vary's opinion these maps were Hungarian military maps prepared prior to 1945, corrected on the basis of aerial photographs, and although their contents were somewhat obsolete, it became instantly apparent that they were very appropriate for military purposes, because elevations for instance, were presented perfectly. As a result of this finding, in 1981 the earlier secret civilian maps were reclassified in Hungary "for official use only." At the same time, however, certain semimilitary data (e.g. the depth of a river, the load-bearing capacity of a bridge) were made to disappear from these maps. At the request of the military, railroads and railroad stations were also drawn in a simplified form. As a result one could not find out whether a given railroad line had only one track or two tracks.

Accordingly, at present anyone can purchase official state maps, even the ones showing the greatest details at a scale of 1:1,000. These maps show areas sized 750 meters by 500 meters. The prices are not too high either: For example, a map showing an area of 6 kilometers by 4 kilometers costs only 625 Hungarian forints. The concern is that new maps covering the entire country in the same scale do not exist. All of Hungary has been measured at a scale of 1:100,000 meters, but only half of Hungary has been measured at a scale of 1:10,000 meters. "We still find certain areas for which we have only a 100 years old—although updated—map," according to Papp-Vary.

The deputy director says that although the present state mapping system is accurate, this does not mean that it also shows military objects. For example in the case of a military barracks in a forest and a secondary road leading to it the map will show only the forest, and in built-up areas they will show such objects as vacant lots. Decisions concerning how to render industrial enterprises on the maps are made by the Ministry of Industry.

Thus, it may happen that only the fences around a plant considered as strategically significant will be shown, while at the same time the map will show the area of homes.

MEM hopes that state cartography will become a good business as a result of the minister's decision to discontinue the classified treatment of maps. At present, about 200 million forints of the MEM budget are spent on cartography, but the sale of official maps produces only 50 million to 60 million forints in revenues. It is also true, Papp-Vary adds, that this will never become a profitable enterprise—nowhere in the world has map-making become profitable. However, the preparation of publicly available maps, or more accurately, of maps sold in stores, is not bad business at all, we were told at the Cartographic Enterprise. According to the enterprise's editor in chief Tibor Dudar their maps are accurate and appropriate for the purpose they serve, and these maps do not include intentional distortions. Intentional distortions were made in the 1950's, however, when for example railroad paths were only approximately accurate. In those days it was permissible to show such paths only in "zigzags." There exist certain data (for example certain elevations) which are not shown even today, and industrial plants are marked by a colored spot only, designating "built-up" areas. On the other hand it may indeed happen that a city map in circulation will not include the name of a new street. According to Dudar, the reason for this is not intentional distortion, instead it is the fact that only the maps of larger areas visited frequently by foreigners are updated every year or two, and maps showing other places sold in stores may be obsolete. Dudar says that the reliability of their work is also shown by the fact that they are performing work under contract for several Western firms. For example, the West German Falk Verlag had the maps of Athens and Lisbon prepared at the Cartographic Enterprise, and the enterprise prepared the world's climatic map for the Meteorological World Organization.

Map publishing in Hungary, including the publication of historical maps is subject to a permit. Anyone may publish maps, including private persons, but the work must be performed by a cartographer holding a degree. "During the 18 years I have been here we have declined only a very few permits," according to Papp-Vary. His office has the authority to issue permits. As he recalls, most denials to issue a permit were based on professional concerns, but it has also occurred that a map of Poland could not be published in Hungary because the names of Polish cities were to be printed in German. Similarly, a Hungarian atlas could not be printed because it showed the areas occupied by the Israeli army in 1967 as part of Israel.

Maps Compared With Soviet Redrawn Ones
25000340b Budapest HETI VILAGGAZDASAG in Hungarian 17 Jun 89 p 55

[Article by Mihaly Szalontay: "Transforming Nature"]

[Text] Buy a Falk map if you're leaving for Moscow! I know that in these days when the publicly acknowledged capacity of Soviet space satellites is that they distinguish

objects 5 meters large, it seems funny to suggest that a few kilometers from the Kremlin it is worth finding directions on the basis of a West German map. But one has hardly another choice if one's old acquaintance from Moscow has moved to a new apartment. Half of the streets of Moscow are missing from presently available Soviet maps.

The trouble began in the 1930's when the then existing accurate maps were classified, then transformed "somewhat" into maps intended for public use, and the Soviet Geodetic and Cartographic Office was placed under the supervision of the state security organs. It was in those days that the general practice—officially in force until recently—of deleting elevations from maps intended for public use took place, or that a hill which in reality was on the left bank of a river was shown on the map as being on the right bank of the river. One couldn't be sure of whether indeed the river rolled exactly where it rolled, on occasion they "transferred" the river. The misleading of spies was so successful that even Soviet tourists familiar with a given place got lost on the basis of these maps. Depending on the significance of given cities, one-quarter or one-half of the cities were classified as secret, or side streets on the right were drawn in on the left, to the greater joy of motorists.

This redrawing of maps required at least as much work as the preparation of accurate maps, according to Geodetic and Cartographic Office director V. Jaschenko in one of the interviews he granted. According to him, last year they discontinued the misleading practice, and pulled out of their secret files the more accurate, more detailed maps. Now one may buy maps in the Soviet Union which show 2 kilometers as 1 centimeter. For the time being only enterprises and institutions are authorized to buy such maps. Nevertheless the director of the cartographic office announced that after almost half a century of work an atlas of the Soviet Union consisting of 127 pages at a scale of 1:25,000 will become publicly available.

Statistical Data Sheet Discontinued

25000342a HETI VILAGGAZDASAG in Hungarian
24 Jun 89 p 7

[Text] Beginning on 1 July, when crossing the border one need not complete and hand over statistical data sheets to the border guards. These data sheets were introduced simultaneously with the 1988 passport decree. The announcement was made by authoritative persons at the Ministry of the Interior and the Central Statistical Office (KSH). Actually, the statistical data sheets did not fulfill their purpose at the time they were introduced. As we learned from the Border Guards, using the central data base one could not tell with certainty whether anyone was in Hungary or outside of the country, due to the slowness of data conveyance. The KSH directly paid approximately 3 million Hungarian forints for record keeping related to the statistical data sheets. True: Only a representative sample of 2 to 3 percent of all the

statistical data sheets were forwarded to the KSH. All statistical data sheets were forwarded to the Ministry of the Interior, and this authority was also burdened with the lion's share of expenses. We were unable to find out at the ministry just how much that amount was. The rest of the national authorities, such as the Ministries of Commerce and Finance, the Hungarian National Bank, and others, received data of interest to each of these

organizations from the KSH. For the time being it is not known from what source statistical data will be obtained concerning the travels of Hungarian citizens after the termination of the statistical data sheets. We were told at the KSH that after 1 July the Border Guards will maintain records only of the number of persons leaving the country, and they will not keep records on the countries visited by travelers.

HUNGARY

Defense Budget Approved Despite Lack of Information

25000313 Budapest NEPSZABADSAG in Hungarian
7 Jun 89 p 5

[Article by "F.K.": "Is the Army's Combat Readiness Endangered?"]

[Text] The National Assembly Defense Committee is not satisfied with the work it did. The committee met yesterday morning at the Danube Flotilla barracks of Budapest, where one representative said that "the committee is doing nothing." Not one representative disputed the statement, but many of them urged that the committee finally get on with substantive work.

Just what prompted the representatives' revelation? Well, some "hits" were on the agenda: reports concerning last year's budget compliance by the Ministries of Defense and Interior, and by the Workers Guard. (Incidentally, this was the first time that the Defense Committee had dealt with the management of the Workers Guard.)

It is certainly no coincidence that while debating finances the idea of renewed [funding] occurred. The "dispute" over the submission followed the rites observed in previous years. Representatives of ministries made lengthy presentations concerning the severe consequences of budget cuts involving the military and the police. For example, Major General Dr Istvan Bencsik, deputy chief of staff of the People's Army, said that following a series of cuts the Defense Ministry budget has reached a critical level. Further cuts would endanger the army's technical combat readiness. Deputy Interior Minister Dr Sandor Ilesik recited alarming data showing the rapid pace at which criminal statistics are worsening, and argued by describing the increased tasks of the ministry. Only Major General Istvan Dosa stated that

the Workers Guard broke even with the funds allocated in last year's budget; this, however, should by no means be interpreted as saying that the Workers Guard is in a rosy situation.

But members of the Defense Committee did not know what to do with either the complaints or the figures. Several of them stated that year after year they are approving budgetary forecasts without knowing details and real contexts, and that therefore they are unable to judge whether maintenance of the present strength and structure of the armed forces and bodies is warranted. According to Committee Chairman Laszlo Gyuricza, obtaining substantive information is made more difficult by the fact that representatives do not receive usable background material and information from the armed forces.

In this situation—or for want of something better to do?—the committee once again decided to "agree with the budget submission." At the same time, however, they made a decision that in the future they will deal more intensively with military policy issues, by formulating a conception which is better suited to the changed circumstances. Still this year they will place on the agenda an item calling for debate on the meaning of the term "a smaller, but more modern army." They agreed on the idea that the Defense Committee must become a suitable forum for doing work with more content and more substance than it has thus far. Chairman Gyuricza then announced that in the interest of accomplishing this he urges the establishment of an expert group to work alongside the committee.

Finally, an interpellation made by Representative Mrs Vass, Ilona Nyeki, at the 10-13 May session of parliament was discussed. (Representative Vass proposed that the Ministry of the Interior Reserve Officers' Training School facilities at Kerepestarsa be used as a high school. The National Assembly did not accept the response to the interpellation, and referred the matter for investigation to the Defense Committee.) No decision was reached in the matter at yesterday's meeting either. Headed by retired lieutenant general Mihaly Torok, a four-member special committee was formed to thoroughly investigate the issue.

CZECHOSLOVAKIA

CPCZ Economic Commission Rejects Proposed Reforms

24000160 Prague LIDOVE NOVINY IN Czech
Apr 89 p 22

[Unattributed article: "Notes on the Margin of General Forecast of the R&D, Economic, and Social Development in the CSSR Until 2010—Points for Discussion by the National Economic Commission"; the top of the article includes a handwritten note: "Response to the position of Chairman V. Komarek, 8 March 1989, signed (illegible initial)"; LIDOVE NOVINY is the "independent newspaper of the Czech political opposition"; first paragraph is LIDOVE NOVINY introduction]

[Text] Editor's Comment: The material published below expresses the ideological position taken by the CPCZ [Czechoslovak Communist Party] Central Committee Economic commission to analytical evaluation submitted to it by the Forecasting Institute of the Czechoslovak Academy of Sciences. The material consists of two parts: the first, 11 pages long, expresses criticism of the forecast based partly on the current research and development capabilities in our society, but mainly on political considerations. The second part, which we are publishing here, needs no further comment.

The national economy is a discipline where, in contrast to other sciences, there is no such thing as an inexpensive experiment. On the contrary, every experiment which does not succeed has to paid for dearly.

That is why we cannot afford to make the attempt to verify the submitted basic measures in the simplest way—by turning over the Czechoslovak national economy into the hands of the CSAV [Czechoslovak Academy of Sciences] until 1995; most particularly since we have had an historical experience with an individual who asked, "Trust Germany into my hands for the next 10 years and you shall see."

And we did see.

The basic measured, proposed by the Forecasting Institute can be roughly summarized as follows:

1. An unspecified "political reform" aimed at the "restoration of the pure values of socialism."
2. An economic reform aimed at full implementation of "market economy," further linked to the liquidation of the federal [5-year] plan and federal price controls.
3. Liberalization of foreign trade with a shift away from the socialist countries and a preference for the capitalist ones.

4. Structural changes aimed at the liquidation of part of the 1st and 2nd sectors; meaning release of approximately one million employees from their present jobs.

5. The resulting disproportions are to be resolved by a significant indebtedness in hard currencies and submission to such institutions as the International Monetary Fund and the World Bank.

These basic measures are then to be expanded into a number of mutually unrelated and frequently conflicting, advantgardist proposals.

If the political-economic sphere adopted the proposed measures as the starting point for further preparations of the 18th CPCZ congress, it would mean:

- a) Retracting the "Lessons of the Crisis Developments"
- b) Retracting the conclusions of the 17th CPCZ Congress and the successive 7th, 9th, and 12th Plenums and the legal measures related to them
- c) Discarding the work accomplished thus far in the preparations for the long-term outlook and the 9th 5-Year Plan, including the conclusions of their evaluation by the government and party organizations
- d) Restoring the economic-political system not only to the pre-February 1948 conditions, but in a number of areas even to the pre-October 1945 period

In light of these principles, specific recommendations on individual subjects which lead from the basically correct and generally recognized development trends into unrealistic absurdity, lose all their meaning or, as the case may be, and as has been stated earlier, into outright catastrophic conditions for our national economy, not only from the economic, but also political standpoint.

Furthermore, the material contains beautiful turns of phrase which, on further examination, not only do not correspond to reality but frequently have nothing to say.

Also notable are substantial discrepancies between the original "General Forecast," and the "Recommendations of Basic Measures," not only in the substantive but also in systemic positions. Although it is true that "scientific" knowledge is advancing, perhaps it is not developing at such a breakneck speed that what was being defended in December 1988 is no longer applicable in February 1989. Just at the margin, one can observe that the "scientifically" justified relations of Kos 5-6/\$US in terms of purchasing power are now simply substituted by a devalued rate of 2-23/\$US which the General Forecast had earlier proclaimed to be "completely inappropriate."

It is also certainly possible to sneer in certain places over the "SPK [Federal Planning Commission] "balancing" approach and the goal oriented values of the long-term

outlook (for example, in the case of steel) and then, several pages later, use that same method to support one's own argument and, without blushing, to arrive at the same figures. But that is not a material question, it is one of how scrupulous one's conscience is.

Since neither the General Forecast nor the proposed basic measures contain the necessary data, one can only ask:

- How can 1 million workers be transferred by 1995 from the 1st and 2nd sectors into the 3rd; how will new jobs and retraining be secured for them, and who will pay for it? (Ordinarily this would come to Kcs 50 to 100 million).
- Currently, the tourist industry brings in about 1.4 million visitors and about \$160 million. How could it be "technically" ensured that their numbers increase tenfold in "a few years?"
- What kinds of goods would be used to pay for the anticipated imports of natural gas?
- Is it true, that a Kcs 23 billion drop in export of engineering product exports to the USSR will bring about one million tons of steel in annual savings, which is about one-quarter of the consumption of all engineering VHJ's?
- Can the CSSR economy afford a per capita increase in indebtedness to about \$1,400 to 1,500?
- Will the USSR recognize the revaluation of the CS crown to at least Kcs 8.5/Rbl which, in a devaluation to approx. Kcs 23/\$US, would represent a rate of 2.7 Rbl/\$US?
- What sources will the federation use to provide relief for new enterprises and for intervention in the domestic markets?
- Are the budgetary limitations on research investment, and that includes the CSAV, and a stagnation of contributions to health care and schools in accordance with the proclaimed needs for "investment in the people," and with the necessity of increasing the number of full time university students by a factor of 3?
- Can the CS economy afford to do away with the limits on the deficit sources?
- Will an unskilled worker earning \$1000 a month coming as a tourist get Kcs 20 to 23,000 at the CSSR border after the devaluation, for which he can then live in Czechoslovakia?

—How can an inflation be prevented when all the basic regulatory tools such as price and wage limits are liquidated and will payments based on supply and demand be found acceptable?

—Is it expected that after the Kcs devaluation by 60 percent, practically all raw and processed material intensive exports to nonsocialist countries will suddenly become highly cost effective and that there will be an even greater sellout of the material base?

—How will one ensure that the producer does not export everything so that something is left for the domestic market?

—How does one face the problem that under the current levels of productivity a transfer of one million workers into the tertiary sectors would mean a loss of at least Kcs 50 billion and the departure of 300,000 professionals from production a loss of another Kcs 30 billion?

—It is clear that the reduction of energy consumption to approx. 93 million tnp [tons of standard fuel equivalent] would mean the reduction of production sphere consumption by at least one-third and that this maneuver has succeeded in only very few countries in transition to the tough war economy with corresponding effect on all public?

And, finally, one last question:

—How will the proposed "socialist" economy differ from the "social democratic," in effect in some of the western countries; what will be its advantages?

To sum up, one can say that Marx's statement that history repeats itself, first as a tragedy, and second time as a farce is as valid as ever.

Necessity of Competitive CEMA 'Common Market' Discussed

24000149c Prague HOSPODARSKE NOVINY in Czech No 20, 1989 p 3

[Article by Eng Vlasta Safarikova, ScC, College of Economics in Prague: "From Disintegration to Integration—CEMA Common Market: Utopia or a Possibility?"]

[Text] At recent meetings of CEMA's top agencies, the Bulgarian People's Republic, the Hungarian People's Republic, the Socialist Republic of Vietnam, the GDR, Cuba, the Mongolian People's Republic, the Polish People's Republic, the USSR and the CSSR agreed to gradually establish a unified (common) socialist market. In view of the current situation of economic cooperation with CEMA, where a number of problems have come to a head, many people regard such a goal as a propaganda ploy, particularly because significant documents recently adopted by CEMA (particularly the "Comprehensive Program for R&D Progress in the CEMA member States to Year 2000" and collective concepts for international socialist division of labor for the 1991-2005 period) have not produced the so much needed improvement of

efficiency in processes of economic cooperation among the CEMA states. However, is the establishment of a CEMA common market in the foreseeable future really only a utopia?

The common market in which economies of several states (as a rule, members of a specific integrated configuration) participate may be characterized as a kind of interrelated production process where individual economic subjects of those states (organizations and individuals) may engage without any economic restrictions in entrepreneurial ventures (research, production, marketing) on the territory of any of the states participating in the common market.

Thus, the establishment of such a market calls for the removal of objective barriers to the movement of persons, production assets, goods and services "across" the borders of the interested states, and for the elimination of technical obstacles and of taxes and financial encumbrances. The economic significance of the creation of a common market rests mainly in the opportunity of unlimited optimum exploitation of production factors according to natural and economic capacities of the whole integrated area as well as in the optimum exploitation of wider and more diverse markets.

In this respect it is known that, for example, the member states of the EEC expect that the so called attainment of a domestic market in 1992 will in particular reduce immediately the costs of various border controls and to foster competition because the markets will be open and more accessible (which should also improve the quality of goods and lead to reasonable pricing). Additional structural changes envisaged in the whole community should encourage competitiveness in international division of labor. In some areas structural changes will probably cause structural crises and affect the employment rate; these problems must be resolved by coordinated efforts, for example, by the so called structural funds. It is presumed that new impulses will also be generated for R&D and its final application, etc.

The purpose of this very briefly sketched characteristics of the common market of West European states is to define general technical and economic conditions preventing the development of internationalization of production forces from being encumbered by restraining local (or national) economic and political aspirations. However, the substance of these processes, or the nature and contents of economic relations of their members have not been defined. The question of the character of those relations in socialism must be answered so that even here the idea of the common market be gradually implemented.

Unlike in Capitalism

In this view the establishment of a common market in conditions of cooperation among socialist states is not at all only a commercial-technical or commercial-political

affair. In many ways it will require completely different methods than in capitalist states. Instead of removing or unifying barriers, such as customs and other trade policies protecting domestic manufacturers, it demands first of all that, for example, in-kind exchange of goods be abolished, the volumes of products be increased and their quality improved, specialization and cooperation intensified, and so on, or that basic conditions for international trade, i.e., unified national markets, be created.

As a matter of fact, the obstacles preventing the movement of goods, services and production factors in CEMA markets are completely different from those which the member states of integrated capitalist configurations are trying to eliminate. Therefore, if the socialist states intend in fact to remove them, they must use different policies that may realistically change the functional character of the current mechanism of socialist states within the CEMA and its linkage with national economic mechanisms. Functional mechanisms of the common market may be similar, but the substance of the capitalist and socialist methods of production lead to differences in the method of its establishment. In terms of current methods of cooperation, the situation existing today in the CEMA member states is far more complicated. Nevertheless, it may be presumed that the future development of the socialist common market will produce higher economic results than those achieved in capitalist states.

The differences in socioeconomic character, and also its specific forms of expression in the current stage of development of integrated configurations, provide ground for a different approach to specific stages in the advance from the current situation to the common market. In view of the ongoing restructuring of national economic mechanisms (particularly the process of restructuring in the USSR), it may be presumed that the initial stage will involve the removal of restrictions in domestic markets of the CEMA member states, and easier access of foreign economic subjects to those markets. The initial stage will develop above all the market of production assets, especially in conjunction with the development of profitable direct contacts among economic organizations. Furthermore, the nuclei will be formed for the so-called free market, in other words, a market controlled by national management, but which under this control will not differentiate between domestic and foreign participants. Some measures promoting "free" trade must include simple transfers of goods, services and persons across the borders. However, here it is to be expected that national markets will be controlled by export or import licenses and quotas (of a different type than the current quotas approved, for example, during the process of coordination of national economic plans).

The transition of the free market of production assets to the form of a completely free—common—market would be a pipedream without the achievement of balances in

individual domestic market and without realistic prices and particularly their relations. If the market of production assets is relatively controllable by generally applicable regulations in terms of balances of trade and payments, then in terms of consumer goods such controls are technically impossible (except for bans on exports and imports, or customs penalties whose efficiency is limited and whose costs are very high). Therefore, it may be expected that a completely free market of interested socialist states will represent another stage in development after the opportunities of a free market of production assets, among other things, have been used for an efficient development of the socialist community and after policies aimed at a balanced economy have been tested in a coordinated fashion. This problem is linked with gradual relaxation of transfer of employees from individual states (in the first stage it may involve only certain occupations and specific purposes).

An organic component of the free market is a unified currency market (monetary union) whose attributes include free convertibility of currencies within the integrated configuration, as well as the development and function of joint financial institutions. Although joint financial institutions already exist within the CEMA (a common unit of currency, international banks), their functions thus far have been predominantly administrative and technical. The change in the thrust of their operations stems from the development of all financial functions in national economies and in the international socialist market. It is based on the function of convertible ruble as real currency issued in accordance with disposable funds of national currencies and with the ability on the part of international banks to buy, sell and lend national currencies or to charge realistic interest for financial funds both to the creditors and debtors, and to affect changes of exchange rates according to a long-range development of assets and liabilities in individual currencies.

When charting the course to the common market of interested CEMA member states, next to objective trends in the development of production forces and production relations, the existing—i.e., in terms of the establishment of a common market, initial—conditions must also be considered, particularly as concerns current parameters of international socialist markets. At the same time, their critical analysis answers the question why individual CEMA states lately adopted different approaches to the qualitative changes of the mechanism of integration, why are they often so restrained, and why are progressive objectives formulated and approved with relative ease, when no agreement can be reached on specific procedures.

In this context, among the whole gamut of causes one may pinpoint especially motives of economic types whose basis may be seen in the sluggish efforts of the CEMA states to change from an extensive to an intensive

economic growth. This problem is twofold—very hesitant changes in economic management and, consequently, an extensive type of production continue due to inertia, and result in a complex, knotty chain of apparently inextricable socioeconomic problems.

Consequently, the gap between the developed capitalist states and the regions of the CEMA member states has broadened: this is a fact whose ramifications markedly affect the development of the international socialist market and thus, also the performance of individual economies in that market. What objective problems are evident in this respect?

It is a familiar problem that the structure of this market is getting even more unbalanced, which promotes the bilateral balance of payments (trade) and the polarization of the so-called hard (negotiable for freely convertible currencies) and soft (nonnegotiable for freely convertible currencies) goods. By the same token, the range of the so-called soft items, which contains most products of processing industries in the CEMA member states, is increasingly expanding, while the "hard items" consist of raw materials, semifinished products and certain unprocessed foods. In such a situation serious difficulties arise from the declining as well as rising prices for any major items in mutual transactions. However, changes of prices for "hard" items are even more serious.

In this context, the achieved relatively identical structure of "mirrorlike" production gradually but steadily slows down the dynamism of mutual trade. Optimistic notions about resources available to the congruent structure of production for the development of sectoral subdivision and branch subdivision exchange (cooperation) are justified only up to the point where the dynamization of ensuing mutual transactions serves as a base for innovating changes of individual structures of production, namely, with the application of R&D achievements.

If the goal is mere dynamization of mutual transactions, even though it results in economic benefits from specialization and thus, also from the concentration of production, the resources for exchanges between sectoral subdivisions and branch subdivisions will be rapidly exhausted, and it is a moot question what further contributions it may bring, except for possible cost reduction particularly for the promotion of more extensive trade with the developed capitalist states.

The Current Market Is No Market at All

From the systemic point of view, the current international socialist market may mediate exchanges of goods—outputs of national processes of reproduction—but it does so in a passive way; in other words, it fails to affect in turn their development. Therefore, it is not a market in the sense of the purpose of this economic category. Thus far the decisive economic subjects of this market have been central agencies of individual states as

representatives of economic interests of individual economies. As it has gradually become evident that such approaches are ineffective and thus, that various forms of cooperation in economy and R&D which were supposed to replace the effect of the market are ineffective as well, so the development of individual economies proceeded, depending on economic problems, in the direction away from integration. The international socialist market then turns increasingly into a place of auction, where individual economies offer, more or less successfully, their shoddy goods at prices higher than world prices, only because exporters of raw materials and semifinished products depend on payments for their imports.

Thus, from the point of view of the system, the international socialist market may be characterized, among other things, as follows:

- Every transfer of goods is limited by quotas and thus, also by firm restraints of bilateral commodities and payment relations. The type of exchange is in kind.
- Prices negotiated for mutual trade do not reflect even the required social costs of labor and the offer-and-demand relations in the regional market. They are derived from individual costs of production incurred by manufacturers and serve only as an administrative accounting mechanisms; they cannot be used for rating of manufactured goods or as a decisive criterion. Their detachment from the development of world prices (which cannot be avoided by administrative methods of contractual pricing) preserves the structure of production and exchange.
- The quota system of commodity supplies has turned into an in-kind exchange where money serves only as a technical means for accounting. In other words, the holder or owner of financial assets cannot use them in the international socialist market according to his own economic interest, but only within the range of "approved" in-kind exchange in bilateral relations.
- The character of commodities exchange leads to very limited convertibility and to an authoritarian attitude toward the determination of exchange rates (or rate coefficients) which, due to their detachment from actual economic processes (modified by redistribution systems and by nonobjective correlations of convertible ruble to freely convertible currencies) cannot fulfill their main function and in particular, their price-setting and criterial functions; in other words, they do not indicate how efficiently individual economies perform in the international division of labor.
- A logical outcome of the above-mentioned trends is the fact that there is no credit market, and that the interest rate does not lead to efficient allocations of financial resources.

It is then evident that the community of the CEMA states finds itself in a preintegration stage. Neither individual economies nor the international socialist market have provided conditions for optimum allocations of production forces within the socialist community. Its natural consequences are increasing difficulties in the fulfillment of objectives of cooperation in economy and R&D among the CEMA states, its inefficiency, their economic slump, and thus, also economic losses.

Trends of Disintegration Prevail

In addition, this development gave rise to trends of disintegration more or less evident in individual CEMA states. Their flip side is the expanding contact with developed capitalist states (research, production, export, etc. with the ensuing indebtedness). These ties differ in their tightness, the greatest of which is in the Polish People's Republic and the Hungarian People's Republic (the highest indebtedness and credit service), next in the GDR (internal German trade), less so in the Bulgarian People's Republic and the CSSR, and the least in the USSR and the Romanian Socialist Republic. Different economic interests of individual CEMA member states find their specific expression in their attitudes to the restructuring of the mechanism of mutual cooperation.

No proof is needed to demonstrate that individual CEMA states (with the possible exception of the USSR whose economic dimensions exceed the scope of integrated configurations) have no chance of achieving lucrative integration in world division of labor by their individual efforts; nevertheless, major efforts will be needed to "convince" economic subjects of individual member states about that. Such efforts must now offer not only objective analyses of the preceding development, but above all, a realistic, hence also feasible program with guaranteed resources for objective systematic changes, and a prognosis of estimated socioeconomic achievements.

Although in the beginning only some of the member states may find the above-mentioned program attractive, the differences in their attitudes should not obstruct agreements between two or more of those states. Of course, it should be expected that the economic dimension of the interested countries will also affect the purpose and extent of the program, particularly its objective proportions. However, such an approach certainly offers more hope than any declarations of grandiose programs where most actions are not focused on its fulfillment but rather on debates about procedural issues. The CEMA member states whose representatives set up the goal of establishing a common market are now facing a totally different problem than the EEC member states. While the EEC has to cope with the dilemma of removing from the already functioning integrated capitalist mechanism administrative and technical barriers

and levies which hamper optimum allocations of production factors and their utilization by means of the market, the CEMA member states are up against far more serious problems.

Their aim is not, nor can it be, only to establish a common market, but to utilize systematically a common market for regionwide, optimum allocations and exploitation of production assets of all interested states. Systematic participation in the common market is an asset which will help eliminate the waste of public labor caused by operations of the "perfect" capitalist market. Therefore, the establishment of a socialist common market is not only a goal, but at the same time also a means for successful competition with capitalism.

Planning Commission Views Long-Term Economic Outlook

24000149a Prague *HOSPODARSKE NOVINY* in Czech No 21, 1989 pp 1, 8-9

[Article by Jaroslav Kinsky, Vaclav Glaser, and Jar. Ungerman of the State Planning Commission: "A Change of Current Trends Is Imperative"]

[Text] A long-term economic strategy of the CSSR for a period of 10 to 15 years is now in its planning stage. It is connected not only with the next—the Ninth—5-Year Plan but also with the party's 18th congress where the discussion of these issues will undoubtedly be of considerable importance. It is no one-time task to clarify the objectives of the long-term strategy. In *HOSPODARSKE NOVINY* No 19/1989 we published a contribution to that discussion by university lecturer Valtr Komarek entitled "Selection from A Single Alternative." Today we present an article by experts from the State Planning Commission, which also discusses—and informs about—certain conclusions which the experts reached in their work on the long-term outlook. Only confrontations of worthwhile ideas can shed light on the main direction for the future development of Czechoslovak economy.

Analyses of the Czechoslovak economic development thus far have confirmed that our economic growth is accompanied by extensive trends. In the 1970-87 period, our national income in constant prices increased 90 percent, while our consumption of energy was one third higher, i.e., by 17 million tnp; our consumption of ferrous metals went up 27 percent, i.e., by more than 1.9 million tons, and the value of fixed assets in the production sphere increased 2.2 times, while employment in the production sphere was up 6.7 percent, i.e., it increased by 370,000 employees.

In the first half of the 1980's alone, external restrictions succeeded in reducing very sharply the dependence of the growth of national income on absolute increments of material resources (power, crude oil). This trend could not be sustained in the next period, and pressures leading to an extensive consumption of resources continued.

Moreover, in contradiction of its concept, during the Eighth 5-Year Plan the material- and power-intensive branches demanding high investments retained a major share in the creation of higher national income. In its totality, this led to an extended, gradually declining dynamism of growth. Nevertheless, there were certain auspicious developments and successes even under such circumstances, among which we may note in particular an acceptable amount of foreign debt due to the policy of debt reduction; a renewed growth of private consumption and of investments in 1982; elimination of impulses to set off an inflation spiral; the achievement of decisive advances toward a balance between the economic standard and the living conditions of individual areas and of the population in the CSR and the SSR.

The Gap Widens

The development thus far aggravated the difference between the aggregate quantities of the economic standards of the CSSR and of West European countries. This comparison poses a very difficult problem because one cannot resort to mere mechanical comparisons of the achieved level of gross per capita domestic product. On the one hand, one must also consider the correlations of the whole potential of national wealth—the thus far insufficiently exploited potential of Czechoslovak work forces, and on the other hand, the total economic output measured by scrupulous criteria of world markets, and its actual exchangeability. In this respect, the economic standard achieved by Czechoslovak national economy would obviously place it at the tail end among the West European countries, approximately at the level of Spain, i.e., 75 percent as compared with Austria, and 65 percent of the FRG level.

This is also reflected in the increasing difference in the standard of social productivity of labor, particularly as regards the continuous high employment rate in the primary and secondary sectors. The share of advanced technologies is growing at a slower rate than in developed economies. The technical-economic and technological lag is evident above all in the introduction of electronics in the processes of production and methods of operations, in the transition from implementation of individual automated equipment and robots to automated lines and operations, and in the use of computers in management. Although the rate of investments has markedly accelerated and their volume expanded, the Czechoslovak production base began to fall rapidly behind and the weak spots in the production process became especially glaring.

On an international scale, the range of traditional production capacities is quite extensive; of course, their actual productivity is low because these capacities are very outdated, their relative indicators of consumption of resources are high, and labor productivity is low.

Therefore, this extensive, very obsolete potential, used without higher output capacities, particularly in our processing industry and its higher stages, hampers our further development.

To a certain degree, the deformations in the development of our production base go hand in hand with the deteriorating conditions of our environment. More intensive use of our domestic fuel resources considerably aggravated the pollution on the territory of our state. (In 1970-85 gaseous emissions were up 50 percent.) The process of degradation of other environmental factors took place—water resources became polluted, and expanding area was endangered by erosion, species of flora and fauna were destroyed, and in many ways, food chains were also contaminated.

The achievements of the process of production were distinctly affected because Czechoslovak economy was developing under circumstances which blocked off the inputs of the latest world R&D advances. Many administrative policies applied by the West (for example, the COCOM committee) curtail normal economic contacts and prevent exchanges and imports of technologies. On the other hand, the options of production based on licenses and procurement of R&D data have not been adequately used for more radical modernization of our processing industry.

Economic and Social

In the past period it was clearly demonstrated that our economic growth and social development are interdependent. An increasingly important role in the development of labor incentives and creativity was objectively played not only by the quantitative saturation of vital needs, but also by the quality of their fulfillment, and by the transition to the fulfillment of "secondary" needs which enhance the development of personality.

Private consumption rose 45 percent, and public consumption 115 percent. The highest rise of private consumption was achieved in the 1970's. In the years that followed, the dynamism of the satisfaction of our population's needs gradually slowed down and the solution of the qualitative aspects of their development lagged behind. The slump in the standard of consumption was conspicuously reflected in the qualitative standard of household furnishing with consumer goods, while the quantitative difference—as compared with other developed countries—was qualitatively insignificant. Detailed analyses indicate that the useful life and average turnover of consumer goods increased, and their quality parameters deteriorated particularly in our automobile and consumer electronics production.

In contradiction to the objectives of our wage policies—namely, greater wage differentiation—the leveling trends continued. They reduced the difference between the wages paid for skilled labor and the wages paid for unskilled labor (in 1970 the lifetime income earned by a

college graduate was nearly 20 percent higher than the income of an employee with secondary education, but in 1984 it was only 10 percent higher; it is evident that the differentiation within individual groups is very slight). The leveling trend is typical particularly for our machine engineering where average wages of blue-collar workers in many enterprises were higher than average salaries of technicians and managers.

Public consumption rose sharply in the first years of the building of our socialist society (education, health care, culture, social security) when its standard exceeded the European average, but in the following stage its quality began lagging behind even here; its capacities continued to grow extensively, however, without the necessary changes in the organization of services and without the application of modern technology.

These problems appeared in the health care system, which was gradually expanded until the 1960's, but which obviously now no longer meets our current needs and demands, although the rate of physicians per 10 thousand citizens placed the CSSR in the absolutely highest rank in the world. There are obvious shortages of modern diagnostic and therapeutic technology whose technical parameters and rate of deployment are lagging behind.

Another specific problem involves the to-date development of our educational system whose current specific method has produced many unfortunate consequences, as confirmed by the recent session of the CPCZ Central Committee. A slower progress is evident, for instance, in college education where despite the quantitative growth in the 1970's the per capita share of college students in the 1980's is one of the lowest in all industrially advanced countries. (In 1970 the CSSR reported 91 college students per 10 thousand citizens, the FRG 83. In the early 1980's this indicator amounted to 125 college students in the CSSR, and 230 in the FRG.)

The focus on quantitative economic development weakened the attention to quality in the production process. Its objectively increased importance determined the solution of a number of socioeconomic problems. Inadequate care and passive functioning of quality and financial mechanisms in planning and managing processes were among the main causes of the unsatisfactory development of Czechoslovak economy, and prevented its further progress. The gradually declining outputs, the structural problems, and the discrepancies occurring between the amount and the quality of production resulted in an economic imbalance characterized by chronically higher demand than supply.

Weakened Links

The past development aimed also at a greater separation of individual price ranges—domestic and foreign prices, and retail and wholesale prices. That weakened the

criteria function of prices in decisionmaking by economic subjects whose interests clashed with the objectives of the center based on national economic calculations of costs and effects. The contingency of prices on individual costs of individual manufacturers, disregard for national economic costs and actual utility value of goods, plus the manufacturers' monopolistic status exerted pressures on the hidden growth of prices, as best demonstrated by prices of supplies for capital investment. The hidden growth of prices, which contributed to the growth of national income in the recent period, is estimated at approximately 1 point annually.

Thus, on the whole, the development of applied economic mechanisms led to major deviations from their value base, which will also have a detrimental effect on the introduction of full *khozraschet* in the approaching stage.

Consequently, total economic results graphically illustrate the contradiction between the quantity and the quality of our economic growth, between the reported economic growth and the actual national economic achievement, and between the reality of an extensive growth and the need of an intensive growth. In the past period this contradiction was aggravated probably due to the rigid and sluggishly advancing—as compared with the dynamism of economic processes in the world—Czechoslovak economic management system which adheres to methods of management by administrative orders.

Many of these facts are not results of subjective causes alone, but are determined by the objective standard of international economic relations, particularly within the CEMA, which in a small country like the CSSR are always dominant and may either accelerate or slow down its development. Last but not least, a role is played here by the fact that the economic theory that was unable to find an unequivocal identification of economic laws on function of socialist society in the current historical period, or to draw conclusions for the method of enforcement of inevitable qualitative changes of production forces and of relations in production.

In our opinion, the main direction of future development may be aimed at a single task—the achievement of qualitative changes in the created net material product. Qualitative changes must involve above all the achievement of real opportunities for the marketing of Czechoslovak goods in challenging foreign markets, and greater capacities for the fulfillment of the demands of our domestic market.

Therefore, in conformity to this fundamental task, our further steps may be formulated in initial approximation as follows: 1. Structural overhaul. 2. Economic balance. 3. Convertibility of Czechoslovak currency.

Structure and Growth

In order to fulfill the tasks of the structural overhaul in the Czechoslovak situation, we must bear in mind that this is a highly developed, albeit unbalanced economy which has reached the zenith of its industrial development. The great range of the existing structure of production makes it necessary to focus at the same time on improving this structure by developing sectors with a promising future and by phasing out programs of production that have no realistic prospects for the achievement of required standards of efficiency and labor productivity.

When assessing these facts, the question of the dynamism of growth under the ongoing structural changes also appears in the forefront. Even this development will in all probability be marked by certain idiosyncrasies stemming from the conditions of restructuring in an economically developed country.

The stage of structural changes in other countries was frequently accompanied by a period of a slower rate of growth. For instance, in 1980-84 the industrially advanced countries in West Europe achieved a 1 percent annual rate of growth of their gross domestic product. During the same period they vigorously interfered with their economic structure. The speed with which it was done had many impacts. In 1979-86 unemployment in the ECC countries had doubled and real hourly wages rose 7.5 percent.

When studying these data, we must realize that the state economic management system developed in advanced capitalist countries over the past decades combines long-time experience of managerial staffs based on the latest R&D data; it is relatively effective in relation to the enterprise sphere, although it was accompanied by the above-mentioned impacts on the social situation of the working people.

On the other hand, the Czechoslovak system of economic mechanisms thus far has not been sufficiently specified and lacks a real parametric environment, genuine competition and economic openness. Much more time will be needed to "set up" individual economic mechanisms which will identify their positive and negative aspects, complex correlations and linkages which cannot be revealed even by the best possible theoretical analyses, only by actual experience with their application.

For that reason we think that, as compared with the processes of restructuring in advanced capitalist states, the process of such changes in the CSSR will be more difficult, especially because the principles of our socialist society demand that considerable attention be focused on the solution of social problems and on the situation of our working people, along with the necessary new concepts of social security and a favorable employment rate. As evident, social awareness is still adjusting slowly to

these issues because for a long time these correlations have been interpreted differently; this may stymie the whole process in its initial stage.

Preference for Balance

Economic balance must be our priority in the first half of the 1990's. This follows from the fact that the approach to resources in the enterprise sphere today reflects far more the deformations of initial quality parameters than the work of specific manufacturers. It is therefore imperative to deal promptly with material funds for the objective of our long-range development and to diversify subsidies, grants and other nonreturnable forms of allocations for the achievement of our state's strategic goals, so that they do not permit the funding of socially unprofitable production. Thus, the priority for the restoration of our economic balance will help "straighten up" certain criteria, meet the goals of partial subjects, and gradually involve them in entrepreneurship according to the center's economic strategy.

Nationalization of quality relations and structural overhauling are linked with the transition to a convertible Czechoslovak currency around the year 2000. In our view, the transition to convertibility is mainly a useful mechanism as well as a means to interconnect foreign and domestic economic areas, and also to correlate the material and quality aspects of our long-term outlook.

The achievement of convertibility of exchange should not be regarded as a self-serving purpose or a catchy slogan. It is a must for every modern, healthy developing economy. Furthermore, it is obvious that it must be fulfilled in order to prevent negative impacts on our domestic economy, although by the same token this policy must be applied consistently.

This task combines all fundamental elements of concepts for long-range projections. On the one hand, the qualitative transformation of national production offers the prerequisite for convertibility; on the other, it also provides a very effective value criterion for the fulfillment of main objectives of the national economic type. Indirectly, through the newly formulated system of mechanisms and value parameters, it also represents the basic criterion for the determination of concepts for the long-term development of the production sphere. Of course, the achievement of convertibility cannot be regarded in a narrow sense only as a problem affecting exchange rates and relations of Czechoslovak currency to foreign exchange. In addition, it is the main condition for our enterprise sphere's entry in international division of labor without mediating interlinks.

Fundamental restructuring of value relations must bolster the focus on the quality of our economic growth. This requires in particular radically improved efficiency of the price system of the basis of manufacturers' costs that in social terms are essential, i.e., socially recognized,

and not only individual; enforcement of effective financial and budgetary policies; elimination of unwarranted redistribution of funds; development of effective credit policies; application of exchange criteria and exchange rate policies; and wage and income policies based on merit, which will overcome the current egalitarian trend.

Supports of Dynamism

These basic approaches to the formulation of a long-term economic strategy are reflected in the objectives of the development of main macroeconomic entities and of the rate of our economic growth. In our view, the dynamism of national income up to year 2005 should be in the range of 2.5 to 3.5 percent annually. The estimated annual rate in the 1990's will be in the range of 2.5 to 3 percent, and after the year 2000 the annual growth will be between 3 and 3.5 percent.

The projected dynamism is based essentially on the level achieved in the 1980's; naturally, its contents and quality differ from the current ones primarily by the declining importance of branches that in the past used to be the foundation stimulating our economic development, and finally, that even at present contribute a major share to the creation of our national income. In addition to the fact that in quantitative expression, the production of basic goods in those branches is declining, and domestic consumption of those products, particularly of standard-quality goods, will drop at an even faster rate.

This agrees with the projected development of total consumption in production. It is presumed that our production will somewhat reduce its consumption of material inputs. On the other hand, it must be expected that part of the consumption in production that involves the expanding scope of cooperation and supplier relations will dynamically escalate. For that reason, the diminishing share of consumption in production in national product will follow the current trend which may be accelerated toward the end of the period under consideration along with a faster increase of value added.

This projection is based above all on the development of the consumption of energy and metals. We see an essential solution in achieving domestic consumption of primary power resources on the level of 108-110 million tmp in the year 2005. Until mid-1990's this consumption may still rise by about 1 million tmp but later it should start declining to 1 to 3 million tmp below the level projected for 1990. At first, these tasks may not seem very challenging because—as compared with the international situation—this high per capita power consumption will remain essentially unchanged. Of course, in terms of current trends it is a most significant task whose fulfillment means the achievement of an economic growth with stagnating power consumption in our whole national economy and with a marked absolute decline of its consumption in our production sphere, which is unprecedented in the entire long development

of our Czechoslovak economy. Moreover, another variant concerning the consumption of primary energy resources below 105 million tnp must also be specified.

A similar situation appears in the development of ferrous metals, where it is envisaged that by the year 2005 their domestic consumption will fall about 1 million tons below the current situation.

In terms of certain material inputs, additional sources of growth should be added to these basic relations of our economic growth, such as the lately necessarily discussed foreign credits as incentive factors; such proposals sound like irresponsible recommendations for using up to U.S. \$15 to 20 billion (and even more) in such credits.

It is obvious that especially in the first half of the 1990's such credits might really stimulate the use of national income, higher investments and private consumption. Of course, it is hardly mentioned that the repayment of those credits in the following 5-year period would drastically cut the rate of growth of investments as well as of nonproduction consumption, and finally, also the creation of our national income. Thus, a huge increase in indebtedness would lead to a situation where it would be necessary to spend for repayment of the debt and interest several times more than the standard annually collected 15 to 20 percent in free currency, which is regarded as a "safe" ceiling. Thus, there would be a real danger that the payments would have to be refinanced, which always leads to further increases, and later to uncontrollable indebtedness.

Summary assessments of the volume of Czechoslovak indebtedness, in which we have already reached the upper level, and of our previous experience with foreign loans have shown that foreign credits of the type of one-time assets are usually subject to conditions which thus far have always led to lengthy problems and difficulties in the socioeconomic development of socialist countries. Therefore, this method of credit must be rejected.

Naturally, that does not imply that it is correct to avoid borrowing and accepting credits if they offer commercial guarantees for exchange of goods and services. For the same reason, integration in the international division of labor must not be refused, and attitudes of anti-import policies must not be repeated. On the contrary, we think that in the coming period we must forge ahead far more vigorously to open our economic capacities in which external parameters will determine functional relations within our economy and create conditions whose demands on domestic and foreign markets are generally the same.

Accordingly, this is a question of a stronger role of *khozraschet* organizations and of their responsibility for their foreign relations. Last but not least, this concerns an effective policy of R&D data exchanges, promotion of

extensive exchanges of specialists and short-term assignments in education, sciences and particularly enterprises, or as the case may be, it calls for convincing foreign experts to work in Czechoslovak economy.

In terms of the territorial structure, we consider it important to prepare specific variations of structural patterns for Czechoslovak exports to nonsocialist countries. Exports of raw materials—metallurgical products, timber, oil products, bulky plastics, sugar and other commodities which in their totality compose today nearly one half of our exports—should be generally replaced. It is clear that this shift fully agrees with the objectives of structural changes which must also include different structures of exports.

By the same token, the future development of Czechoslovak trade with socialist states must also be reassessed; its total share is very high, and basically, its continuation could result in "shutting off" our economy. Therefore, we consider it imperative to aim in the next period at a more balanced territorial structure, among other things, because in the 1990's the opportunities for Czechoslovak exports to those countries will be limited, and thus, new markets must be found. This reality must act as an incentive for more energetic action on the part of our enterprise sphere for which thus far markets in socialist countries were "softer." That is now changing radically. Conditions in those markets will be as demanding as everywhere else.

Moreover, in the coming period the process of investing will change but not only because of the new economic regulations stemming from the implementation of *khozraschet*. It is presumed that the share of investments in the creation of national income will be stabilized. The tasks of the structural change must be therefore implemented by a selective investment policy alone. It has been proposed that in the Ninth 5-Year Plan about one half of all increments in investments be allocated to the processing industry with a special focus on investments in machinery. Likewise, investments will be increased in the tertiary sector whose share is expected to rise 50 percent before year 2000.

At the same time, the proposed allocations of investments presuppose declining or stagnating investments in other branches, and specifically, stagnating investments in our fuel and power-generating complex, and in agricultural investments declining approximately to the level planned for the Eighth 5-Year Plan. This basic concept of investment will be implemented by new economic mechanisms. Therefore, there are no specific "allotments" at this moment, because only actual experience can prove how effective our new policies are.

When full utilization of the potential of work forces is considered, in the forefront appears the task of achieving a high dynamism in labor productivity which is the basic

precondition not only for the improvement of our living standard but also for the continuation and upgrading of the competitiveness of Czechoslovak products in world markets.

However, through the 1990's Czechoslovak economy will face a task of fundamental importance—turning the corner in the development of employment in industry. The current trend of its continuous growth must be stopped; on the contrary, there should be a drop of about 150 thousand employees by the year 2000. This is an unusually important reversal which will determine not only the upturn in proportions between the growth of production and labor productivity in our industry, but also the development of the tertiary sector. In this conjunction, it has been frequently pointed out that in terms of organization, part of the tertiary-type employment is allocated to industry and other branches. Of course, on the other hand, here we have chronic shortages of services to production. The obvious problem is that current economic conditions and mechanisms help "cover up" sluggish productivity and inefficient services in individual organizations and therefore, they do not offer more services to other organizations.

The whole sectoral structure of employment should aim at an employment of less than 10 percent in the primary sector by the year 2000, at 40 percent in the secondary sector, with one half of all employees to be pooled in the tertiary sector.

Stimulating Consumption

The development of nonproduction consumption is determined to a major degree by the above-mentioned proportions and objectives. Nevertheless, it helps consolidate the stimulating role of consumption as a source of our economic growth.

The incentive effect of the projected rise in private consumption by more than 40 percent in the given period may be seen mainly in the fact that under the conditions of gradually restored balance in our domestic market where supply meets the demand for goods of the latest fashion, the growth of private consumption differs qualitatively from the past.

Furthermore, the development of public consumption will undergo qualitative changes stemming primarily from the necessary rationalization of certain public costs. This concerns above all the already mentioned measures pertaining to national defense. On the other hand, we expect that the costs for education and health care will further increase because those sectors distinctly affect the achievement of good living conditions of our nation. As for other costs for public consumption, it will be, in our opinion, necessary to aim at greater involvement of our population in properly operating services in housing management, culture and other branches. For

instance, in the current system of allocations, the practice of reducing the rents in state housing according to the number of children is far removed from the concept of social justice.

The dynamism of material costs in public consumption branches will continue to be ahead of the dynamism of private consumption. It is imperative to review above all the whole coverage of costs and to critically reassess the efficiency of some benefits granted across the board. It should be considered whether their grants for specific purposes would not bring greater public benefits.

The rate of our economic growth and proportional uses of its achievements are still expressed by indicators of national income and social product. They do not adequately express comprehensive achievements of our economic development. In our view, they can be more accurately expressed by indicators of national income which have not been followed by Czechoslovak statistics and therefore, its development cannot be compared with the past. According to our calculations based on the above-mentioned dynamism of our national income, the rate of growth of gross national income should be 2.8 to 3.8 percent, which is a positive reflection of the projected development in the tertiary sector.

HUNGARY

British Firm Acquires Majority Control Over Ganz Factory

25000343a Budapest HETI VI LAGGASZDASAG in Hungarian 24 Jun 89 pp 50-51

[Unattributed article: "Privatization of Ganz Vehicle Factory: Changing Engines"]

[Text] Fifty-one percent of the stock of Ganz Railroad Vehicle Factory, Inc. will be transferred to British ownership. An agreement is expected to be signed this week. According to information received from London some aspects of the transaction were unclear as late as last week.

Within the next few days the signing of an agreement is likely to be regarded in Hungary as a sensational event. As a result of the agreement the majority stock of a large Hungarian machine industry enterprise, the Ganz Railroad Vehicle Factory, Inc., will become Western property. The increased attention is understandable because in part, as perceived by the British party, Hunslet vehicle manufacturers would acquire a 51-percent interest in the corporation transformed into a joint enterprise. Majority control by a foreign firm is rare. On the other hand, the increased attention is warranted by the fact that the firm, part of which is purchased, is commonly known as the "gravely ill" company of Hungarian industry.

It is publicly known that the Ganz Railroad Vehicle Factory, Inc. came into being late last year (HVG 3 Dec 88). The background of changing the enterprise into a

corporation is that following the 1987 "organizational streamlining" of Ganz-MAVAG "by way of division," i.e. when the large enterprise split up into seven independent organizations and six small enterprises, Ganz Engine and Railroad Car Factory Enterprise became the general legal successor, inheriting an overwhelming part of its predecessor's debts. These debts amounted to 17 billion Hungarian forints, as contrasted to the assets of the enterprise, valued at 2 billion forints. A number of plans were prepared for the rescue of the debt burdened company in April and July of 1988, but meanwhile losses incurred by the enterprise continued to increase. Finally, in July 1988 Budapest Bank discontinued the grant of operating capital loans to the enterprise. It thus became obvious that the enterprise could not count on receiving new loans. Since the Bankruptcy Reorganization Board [SZSZ] was unable to cover the shortage, the SZSZ announced on 11 August 1988 that the reorganization proceeding had failed.

In the end, based on a decision rendered by the Committee on a Planned Economy, the enterprise was not liquidated in consideration of "fulfilling international obligations and of saving a work culture of renown." Instead, after writing off part of the debts, the enterprise was reorganized into a stock corporation. The original capital of 1.1 billion forints was provided by the State Development Institute (500 million forints), the Budapest Bank (300 million forints), and by the Hungarian Foreign Trade Bank, the Hungarian Credit Bank and the National Commercial and Credit Bank, (each contributing 100 million forints).

The British firm Hunslet intends to acquire majority control over this corporation in lieu of £12 million. This represents a respectable increase in founding capital. According to one of the present stockholders, however, it would not be inconceivable for present Hungarian owners to sell part of their stock to the British party. Consummation of this transaction was also delayed for several months by the fact that, lacking reliable assessments of property value, stockholders themselves did not know how much the vehicle factory was worth.

But who and what is this British enterprise so interested in getting married to a Hungarian enterprise which has experienced long-term loss? Engaged in the manufacture of railroad vehicles, Hunslet was established in 1865. Even if it did not represent a controlling force, it has been present in the British market all along. Three enterprises have dominated the British market. During the past decades Hunslet has showed a decreasing ability to keep in step with the big fish, it has been barely able to keep its head above the threat of bankruptcy. A life raft was thrown to Hunslet in 1987 when Telfos Holding Plc., a technical conglomerate, bought Hunslet out.

As an umbrella for dozens of relatively young subsidiaries, Telfos is engaged primarily in the manufacture of vehicles, vessels, mining machinery, security equipment, furniture, and office furnishings. But at least an equal

proportion of Telfos' activities are in investment financing, buying and selling real estate, and financial transactions. The holding company achieved its success—remarkable even by British standards—by pursuing an accurately planned and consistently implemented business strategy, and with its aggressive conduct—in the favorable sense of that term. This success translates into a £30 million volume in 1988, of which profits amounted to £5 million.

Telfos cast its eyes on Hunslet barely more than 2 years ago. It should be known that the British railroad company called "British Railways" must renew virtually its entire vehicle park in the next 5 years. The three "big fish" will hardly be able to satisfy the suddenly emerging huge demand; accordingly, others may also join the competition.

Recognizing the huge market, Telfos did not spare money and energy. For all practical purposes it took 1 year for Telfos to "shake up" Hunslet, primarily through reorganization, streamlining, the introduction of new management techniques, and computerizing the entire manufacturing system of the company. As a result of the effective assistance received, Hunslet acquired the entire developmental staff of the competing Metro-Cammel firm.

With its newly gained strength, Hunslet intends to acquire the market primarily for suburban rail transportation vehicles. This holds out the promise of orders for several thousand railroad cars. They are also pinning great hopes on the construction of the tunnel under the La Manche channel, as a result of which vehicles to serve the railroad between London and Dover must be purchased.

Headquartered in Leeds, Hunslet makes no secret of the fact that it intends to become the citadel of railroad engine manufacturing, both within and outside of England. Nevertheless, Hunslet's present capacity is inadequate for a rapid, successful advance in the market. Accordingly they hope that by marrying the Hungarian firm of formerly good repute, and as a result of not too large a financial sacrifice, they will be able to emerge in the market with products of appropriate professional standards.

According to the British offer, they would contribute £12 million to acquire a 51 percent control. Know-how, technological knowledge, computer technology, and market information provided by the firm would be valued at £10 million. With the remaining £2 million they intend to establish a reserve account at the Budapest Bank—one of the present Hungarian stockholders of the Ganz Railroad Vehicle Factory.

Under Hunslet's perception the new company, in which the majority of the capital contribution is British, would be headed by a Hungarian chairman of the board, and by a British president of Hungarian descent, internationally

recognized in the field. A majority of the directors would be British, and the British intend to name one of their compatriots as business manager. They claim that resounding changes must be made in the area of business management. Rumors are that the candidate found through a competitive executive search is a 34-year-old, multilingual, rather ambitious young man. In hiring this young man Hunslet required that within a few months he would acquire the ability to manage the joint enterprise "in Hungarian." In addition to top management, Hunslet will, for long or short periods of time, assign to Hungary some of the developmental engineers it lured away from elsewhere.

According to Hunslet, once it is transformed into a joint enterprise the Ganz factory must become profitable within a year or two. This will be the result of requirements for mercilessly hard and precise work. According to his plans, the British owner would repatriate to England only part of the profits. With the passage of time, increasing profits would be invested in Hungary. Thus the drama of the large enterprise established by Abraham Ganz almost 150 years ago, an enterprise that has weathered some great storms, has now arrived at a new turn in its history.

New Avenues for Solving Debt Problem Explored
25000317a Budapest FIGYELO in Hungarian
8 Jun 89 p 15

[Article by Endre Szanto: "Selling Debts: Casting Aside Declarations"]

[Text] One method of freeing ourselves from the grip of foreign debt would be to sell operating capital abroad. This matter is the subject of sharp debate in professional circles as well as in the press. One frequently finds emotional strings tied to this issue. Not too long ago FIGYELO's roundtable conference included a statement which interferes with the substantive solution, because what was said is not proven in practice. In this article the author disputes these statements and calls attention to some unexplored possibilities to resolve or to ameliorate the debt problem.

In debating the possibility of repaying our debt in the form of property, one frequently hears the argument that this could take place only if the government requested that our debts be rescheduled. This would be extremely disadvantageous for Hungary, and in my view there is no need for it. Thus far Hungary has complied with its debt service payment obligations without disruption by using banking methods of finance, even though compliance has always required the assumption of new loans.

Some hold that foreign lenders are interested only in consistently receiving the interest due on loans.

There is truth to this, but things are not that simple. Credit worthiness is determined on the basis of many other known factors. Therefore, in examining the problem it would be more appropriate to use as the starting point the interests of the participants in the transaction.

The Debt Situation Is Our Greatest Problem

The debt burden may be reduced by selling property. Although a high price is to be paid, our ability to dispose foreign exchange would improve. Resources, the lack of which at present impedes our ability to dynamize the economy, would become available. There is nothing new about exchanging debt for property, or defraying the debt through the exchange of property. The caring manager will realize however, that in order to maintain, or perhaps to develop a given activity, things must be sold at a good price long before the point of public bankruptcy.

Our need does not simply call for taking new loans at favorable interest rates and under favorable conditions. Particularly not if there is a chance that we may once again unwisely spend the money received. We should be spending money on modern products, developed techniques, and technology, to acquire entrepreneurial knowledge and outlook, management, marketing, knowledge concerning how to judge investments, etc.

Our needs do not call for investors who "only" purchase stock, thereby assuming payment for our debts. The institutional conditions for this type of investment do not yet exist. Instead we need investors who will operate the property acquired—investors willing to enterprise.

The Creditor's Position

Those who only purchase stock are important, but investors willing to enterprise are even more important. The latter, however, do not necessarily possess the required capital. On the other hand, they have strength, ambition, and an ability to perform entrepreneurial activities. In this sense, then, their operating capital is expert knowledge, connections, etc.

It is more difficult for us to place ourselves in the creditor's position. True, we are also creditors—on occasion vis-a-vis bad, or weakly performing debtors—and selling the notes we hold is one idea we should remember.

Being a good debtor in and of itself is no goal. It is a means by which we can acquire credit if necessary, and enjoy the results of well spent borrowed money today, rather than postponing the satisfaction of our needs, or taking advantage of business opportunities.

It is the creditors' purpose to compete for loans under the best possible conditions. Situations exist in which creditors are better off if they have their outstanding loans paid off in full prior to maturity, and if they can lend those funds once again under better conditions.

Creditors are interested in the structured character of credits and the structure of their debtor community, and they always try to improve the quality of those structures.

The Investor's Viewpoint

One could assume that the law on business organizations, the new tax laws, and benefits and procedural relaxations provided to investors will be able to compete with similar measures provided by other countries. In making this assumption however, one should dispute the argument which holds that in order to obtain capital we first need to establish market conditions and an appropriate institutional system. Quite naturally, the gradual development of these is unavoidable. But one need not wait for all this. We know of two kinds of investors: portfolio investors and operating capital investors. Portfolio investors would purchase stock in exchange for debts. To accomplish this, a real stock market—a stock exchange—and many other things would be needed.

Under present conditions one cannot count on the influx of serious amounts of venture capital because needed institutions are not yet functioning and our domestic currency is not convertible. In recent negotiations with American venture capital investors the difficult question was this: What happens if the original investor wants to sell his share of an enterprise at a price which has increased as a result of success, as compared to the originally invested amount? The suggestion that in such cases the venture capitalist should seek buyers abroad was not satisfactory. They expect such sales to be completed in the local capital market, the evolution of which is delayed for a number of reasons. The other group of investors invests operating capital. Converting our indebtedness would also be conceivable in this form, and for reasons explained elsewhere, this approach suits our particular situation better. We have imported operating capital before, even if at substantially lower volumes than desired. This has taken place as a result of establishing various joint enterprises. The conversion of debt into property sales may spark greater interest in the functioning of operating capital.

At what point is it worth it for an investor to participate in the conversion of debt into property?

From the investor's standpoint, and in a greatly simplified summary of diverse viewpoints, there are two decisive factors: first, to acquire the greatest (potential) value with the least amount invested, and second, to acquire the highest return as compared to the amount invested, with the fastest possible repayment of the original capital in the most secure way.

A reduced level of security and the rate of expected profit are related. A lower level of security demands the achievement of greater profit.

Two factors play a role in the exchange of our indebtedness for the surrender of property. One is the price for which our indebtedness may be purchased, the other is the hidden value of the property which can be acquired by assuming our debt.

How To Attract Capital

Investing operating capital will increase the country's ability to pay in foreign exchange, will reduce the burden of debt service, and will provide additional resources to import technology and equipment without adversely affecting the trade balance and the balance of payments. Convertible currency thus received must not be segregated and used exclusively for purposes of reducing our indebtedness. This is particularly true because a significant part of the operating capital is provided in the form of machinery and equipment.

If, on the other hand, the investor assumes (pays for) debts, the amount of indebtedness and the amount of interest payable drops instantly. In other words: The amount of debt assumed is part of the investor's contribution to the Hungarian enterprise in which he wants to acquire ownership and which he wants to operate. (At this time we will not touch upon the issue of ownership forms.)

Why would it be in the investor's interest to get involved in such intricate matters? The judging of these matters must be left to the investor. He must be given a chance to evaluate such an offer. In calculating a purchase price the investor must also take into consideration the investment of additional capital. In other instances there will be a difference between the book value and the real value of the property (the latter will be greater); in the course of preliminary studies which normally take place in such instances, the investor will discover the hidden values he can make use of while operating the property.

What should the form and extent of additional benefits be, which provide additional interest to a targeted investor, and which motivate him to convert our indebtedness in exchange for property? Such additional benefits could be provided in the form of exemptions from payment of corporate taxes for newly established enterprises, or for enterprises whose ownership form is changed, for the initial (5-year) period of operation of the property exchanged for debt, regardless of the type of activity the enterprise pursues. Further advantages could be provided by guaranteeing that an enterprise established or transformed with the help of foreign capital will not be obligated to do more than to make exports for convertible currency to the extent that it uses foreign exchange, or to produce products which thus far have been available only through imports (import exchange); moreover, it could be guaranteed that for the time being the

enterprise would not be obligated even to effect such sales or to undertake such manufacturing. And further, it could be guaranteed that the foreign exchange needed for the operation of the enterprise be made available, free of bureaucratic inhibitions, even until such time that the full liberalization of imports becomes a reality.

Hungarian entrepreneurs must also be made interested in transactions involving debt sales, so that they develop investment project ideas which interest those who intend to invest capital, so that they find the hidden values which justify the assumption (purchase) of indebtedness, and perhaps even further investments. There are problems in this area, however. We do not have a sufficient number of ideas that have matured, or if we do, there has not been enough money available to do more than produce such ideas in an embryonic form. This is well demonstrated by the fact that utilization of World Bank loans is materializing far below the levels of available opportunities.

New ways must be sought to resolve the indebtedness problem. The reflexive rejection of new ideas is not a rare conduct manifested in offices. We must take advantage of various possibilities that offer themselves, we must agree to take sober risks, because the greatest danger is postponement and the anticipation of a miracle.

Circumstances Surrounding Budget Cuts Reported

Representatives Tackle Crisis

25000317b Budapest HETI VILAGGAZDASAG in
Hungarian 10 Jun 89 pp 53-54

[Article by Endre Babus: "Parliamentary Progression: Dietary Treat"]

[Text] Dressed in dinner jackets and bow ties, an army unit marched into the Hungarian Parliament building last week. The enlisted men serving as waiters provided an unfortunate but appropriate setting to the parliamentary session in which representatives were forced to face the gravest financial crisis in recent decades.

Representatives forced to unexpectedly do without Gundel's saddle of venison were able to see for themselves: The economic crisis has reached a point at which the army must be deployed to operate the Parliament's dining room. But while in the rotunda under the dome elegant privates having little to offer received the guests, inside the chamber an unusually rich and varied political menu was served. True, this menu included some chewy, and rather stale bites as well. To make these bites delectable, however, they were served with entirely new spices, and with specialties which previously were regarded as forbidden fruit.

In the end the government's recipe worked. It succeeded in having a new budget accepted—one that reduced state expenditures by 7 billion Hungarian forints, and

increased the deficit from 19.5 billion forints to 21.1 billion forints—in such a way that its position did not fundamentally shatter; moreover: Its political stock may have even increased somewhat. However odd this may seem, last week's government proposal was approved with eight negative votes, fewer than the negative votes cast in regard to the original budget submission last December when 26 representatives voted to reject the budget. (True: The number of abstentions increased from the earlier number of 6 to 38.) The surprising outcome may be explained by several factors. Above all, the government wanted to visibly demonstrate its desire to depart from the old practice of budget planning. To accomplish this, it took the largest amount—the financial support of armed forces—and cut the 64 billion forints to 59 billion. State support of social organizations was cut by 0.5 billion forints (from 2.6 billion to 2.1 billion). At the same time the position of perennial losers in such restrictive actions—health care and education—did not deteriorate, and presumably the funding of scientific research will not be reduced either. At least this is what the plan projects.

The government also succeeded in playing its "openness card" in a spectacular way. It appears that "venting" some secret provisions of the budget—despite all the related criticism—served in the end only to increase respect for the leadership. The admission of a 2 billion forint "internationalist commitment" came as a virtual shock to many representatives, especially because in December the government denied the existence of this item in the budget. But many appeared to have acquiesced after it turned out that the amount may be reduced by 700 million forints if Cuba fails to deliver on its sugar commitment, the way it did in 1988.

Accordingly, despite all its disillusionment and feeling of being mislead, Parliament did believe the government. It did so with serious reservations, but in the end, in a direct reversal of the position it took 6 months earlier, the majority approved the Council of Ministers' proposal to halt construction of the Nagymaros hydroelectric power plant. "How many chances do we have before we become permanently ridiculous," the question was asked by disillusioned representative Ferenc Vona. And indeed, last week's National Assembly demonstrated the absolutely servile attitude of one part of Parliament toward the prevailing government. At the same time, however, it also showed that the operating conditions Parliament has established for itself are increasingly suffocating that body. Time confusion has become a perennial phenomenon among representatives. The infrastructure required for representative work is insufficient. The lack of a specialized apparatus renders the National Assembly fully dependent on state administration.

The sweeping voting ratios supporting a majority of government submissions could be attributed frequently and visibly not so much to the economic legislative proposals themselves, but to gestures designed by the

Nemeth administration to strengthen confidence. Specifically: They could be attributed to the activation of the head of government (he asked to speak four times during the 4-day period) and to the timely political positions he voiced, to the revelations by the state administration which were clearer than before, and to measures taken regarding the dismantling of the party state. The latter included, for example, the fact that the popular election law was adopted unanimously within half an hour. During the final period of the Kadar era even the idea of popular elections was pondered by the leadership for years. Accordingly, implementation of the democracy package which was introduced by Zoltan Kiraly exactly a year ago, but which was booed at that time in Parliament, continued in this session, and this probably made it easier to adopt a package of economic emergency measures which also foreshadows factory shutdowns.

Meanwhile, however, it became evident that again and again Parliament is unable to emerge as an independent political factor even in regard to matters of detail. All signs indicate that many representatives are simply swept along with the events. Lacking support, a few members of the House are forced to engage themselves in Don Quixote struggles, while others do not even try to force Parliament to make decisions on their own proposals.

This was well demonstrated not only by the debate on the budget, but also by the debate that preceded the amendment of the land law. At the suggestion of the government, representatives did away with one of the most important counterreform measures of the 1970's—limitations on acquiring real estate—by virtue of a single stroke of the pen. This provision restricted families to the ownership of only one apartment and one piece of recreational real estate. (Incidentally in the Spring of 1987, at the time the land law was adopted, representatives did not even want to consider removing such a restriction.) At the same time, however, Parliament did not want to "renationalize" many millions of forints worth of real estate fraudulently acquired by social organizations out of public property for only hundreds of forints. Parliament did so in total disregard of Representative Frigyes Tallossy's bitter attempts, and of outrage manifested by the opposition. Instead, representatives were satisfied with terminating the possibility of such fraudulent acquisitions in the future. In several instances representatives stopped short of drawing conclusions from criticism they had levied. For example, several representatives criticized the fact that even after the present 150 million forint reduction, the Workers Guard would still receive 897 million forints from the state budget. These representatives may have felt that they had done their duty by voicing critical remarks. Not one representative made an effort to draft a modifying amendment to the budgetary item which he or she criticized, before calling the roll on the legislative proposal.

Deficit Projection Reduced

25000317b Budapest HETI VILAGGAZDASAG in
Hungarian 10 Jun 89 p 54

[Text] One of the turnarounds that took place in last week's parliamentary forced march has been played down. It pertains to the most essential economic "corner figures": the amount of budgetary deficit. The package plan presented to parliamentary committees under the heading "Recommendations for the Improvement of the 1989 Financial Balance" was changed immediately before the plenary session. In contrast to the 19 billion forint deficit originally targeted in December, this bouquet of recommendations sets as its goal the achievement of a 29 billion forint year-end deficit (HVG 27 May 89). In the course of a few days however, the Ministry of Finance once again reworked the budget. As a result, the final budget proposal, as modified for the second time—the one that was presented and approved with small changes on the floor of the House—once again shows a deficit figure closer to the original: 21 billion forints, providing an indirect indication of the fact that the international financial organizations watching closely probably would not have accepted a close to 30 billion forint negative balance as a condition for further credits.

As Finance Minister Laszlo Bekesi's explanation attached to the proposal indicates, further income-producing and deficit reduction measures will be taken to cut the deficit. Among the income-producing measures one finds emergency reserve funds reduced from 2 billion to 1 billion forints. These funds serve the purpose of ameliorating tensions stemming from the more stringent administration of socialist export subsidies. Using its surplus revenues, social security will invest 13 billion forints, rather than 6 billion, into apartment fund bonds, and commercial banks will be mandated to purchase such bonds using half of their risk reserve funds. Beyond this, the budget stipulates that not a penny more of personal income tax revenues will be left with the councils, not even if the sum of actual revenues is found to be greater.

Whether the government will once again fall into the trap of voluntarist planning is highly questionable. The measures listed above still will not suffice to maintain the deficit at the targeted level of 21 billion forints. And thus, 5 billion forints worth of "undesignated expense reductions" are included in the modified budget law. As the Minister of Finance stated in Parliament, this secret code means in plain words that the government will spend the upcoming weeks looking for places where additional cuts can be made in state expenditures. The results of this brainstorm will be reported to Parliament at its 26 June session.

1989 Revised Budget Projection

25000317b Budapest HETI VILAGGAZDASAG in
Hungarian 10 Jun 89 p 54

Original and Revised State Budget Proposals (in millions of Hungarian forints)

Revenues	1989 Projection		Expenditures	1989 Projection	
	Original	Revised		Original	Revised
Payments by businesses and industrial organizations	244,463	217,650	Subsidies to businesses and industrial organizations	18,700	24,700
Taxes related to consumption	228,500	227,500	Agricultural and food industry export subsidies	16,000	16,700
Payments by the populace	17,970	34,635	Socialist and interstate settlements	28,500	28,500
Payments by centrally budgeted organs	1,200	2,900	Total	63,200	69,900
Revenues from international financial relations	4,174	4,174	Subsidies related to consumption	39,500	44,300
Profit taxes and dividends paid by financial institutions	21,500	21,500	Accumulation expenses	48,400	46,356
Other revenues	9,300	10,400	Centrally budgeted organs—cost of operation	139,532	135,851
Total revenues	527,107	518,759	Support to councils	122,149	123,000
Deficit	19,963	21,096	Support of segregated state funds	63,968	50,200
			Expenses related to international financial relations	21,243	19,243
			Debt service, interest payments	33,558	37,931
			Other expenditures	15,033	16,074
			Reserves	—	2,000
			Undesignated expense reductions	—	5,000
			Total expenditures	546,583	539,855

Source: Ministry of Finance

Mining of Uranium in Decline

Mecsek Mine To Shut Down

25000340a Budapest HETI VILAGGAZDASAG in
Hungarian 17 Jun 89 pp 50-51

[Article by Gergely Fahidi: "Hungarian Uranium Mining: About Face"]

[Text] The world market price of uranium—once a strategic raw material, now depreciated to an energetics base material—has dropped by half during the past 10 years. Could it be that this fact has also sealed the fate of the Mecsek Ore Mines [MEV]? In any event, the state budget finds the enterprise's 2.5-billion-Hungarian-forint subsidy request too high.

"Uranium can be found in many places, if one scratches the soil a little bit. The question is how much it costs to exploit it," according to Gabor Erdi Krausz, MEV division director and former chief geologist of the mining plant. As an example he mentions that uranium can be

found in the FRG, yet they do not exploit it, and that in France they could exploit far more than they do at present, but instead they buy it in Africa at a much lower price.

One could find uranium sites in virtually every socialist country. The ones in Czechoslovakia and in the GDR are particularly significant. In the GDR exploitation work is conducted by a Soviet-German joint enterprise. On an international scale, Hungary's ore deposits in the Mecsek mountains are of medium size. Mining has been going on for 33 years. Until 1956 the enterprise core represented Soviet interests. Continuing at the current rate of exploitation, reserves would last for at least another 33 years. At present, each year they are exploiting sufficient uranium to operate the existing 1,760 megawatt reactors at Paks; even the fuel supply of an additional 1,000 megawatt bloc could be covered.

It is not at all certain whether the heating elements at Paks were made of raw materials exploited in Mecsek. The Hungarian-Soviet uranium industry agreement

signed in the 1950's, which expires in 1993, establishes the requirement of delivering the uranium mined at Mecsek to the Soviet Union. Thus far the agreement was handled secretly and has been renewed a number of times since the 1950's. Another agreement pertains to nuclear power plants. This agreement is also secret but is presumably separate from the uranium agreement. It contains Soviet commitments to provide nuclear fuel for the life of the Paks nuclear power plant, and that the Soviets will remove from Paks the expended heating elements. Deputy industry minister Gyula Czipper believes it is likely that the secrecy surrounding the uranium agreement will be lifted around August. But considering the fact that this is a bilateral agreement, this can be accomplished only with the concurrence of the Soviet party. Accordingly, until such time that the Soviet party agrees to lift secrecy, only indirect information may see the light of day.

August also promises to be of decisive importance from other viewpoints. The Ministry of Industry will submit its plan concerning MEV to the government in August. As we learned from the deputy minister of industry, alternative choices will probably pertain only to the date when the mine is to be shut down, the possibility of continued maintenance of the mine will not be presented as a choice. The slowing of nuclear armament and the reexamination of nuclear energy programs in the wake of Chernobyl created a dramatic drop in uranium prices and an oversupply of uranium.

Like other raw material prices, uranium prices are also counted on the basis of CEMA peak pricing principles. Data presented by the American professional journal NUCO are used as guide figures. They average the prices of the previous 5-year period; at present buyers pay twice the average amount on the basis of case by case negotiations. The contractual world market price of the uranium concentrate called "yellow cake" per kilogram (see related article below) today is between 60 and 79 U.S. dollars, its free market price is between 40 and 45 dollars. But it is of no help that in theory the Pecs mine receives twice this amount, as a result of Soviet exchange rate calculations (1 U.S. dollar equals 0.63 Russian rubles) the uranium sales revenues collected in forints are far less than what they could receive if they sold the uranium in world markets.

MEV's need to receive subsidies has increased significantly only in recent years. Ever since its existence the enterprise has never showed a net profit. Four years ago, in 1985, the amount of outright support was only half of the present 2.5 billion forints: It amounted to 1.34 billion forints. The enterprise chief geologist explained that the difference may be attributed to the fact that the state agreed to pay the costs of wage grossification and increased social security contribution, and that therefore these amounts also appear in the form of subsidies. Not only have raw material prices dropped since the middle of the decade. The cost of exploitation has also increased. At several places in the adversely situated

Mecsek mine, exploitation takes place at 800-1,000-meter depths, at a time when virtually everywhere in the world uranium mining deep underground constitutes loss operations.

Thus, according to last year's data provided by the Ministry of Industry, MEV's production costs amounted to 3.5 billion forints, while its sales revenues were only 1 billion forints. On the other hand, one should take into consideration that the producer's sales tax differential [KUTEFA] of 500 million forints, paid by the Paks Nuclear Power Plant, is closely related to the low cost heating elements, and thus indirectly to the situation of uranium mining. (The Hungarian Electrical Works Trust (MVMT) pays altogether 20 billion forints KUTEFA, while approximately half of domestic electrical energy production is provided by Paks—part of the MVMT.) After stating this, Erdi Krausz added that in relation to uranium mining the Soviet Union provides a 40-million-ruble restricted, interest-free loan for geological research among other matters, and delivers approximately 10 million dollars' worth of "hard" goods, such as lumber and chemical specialties, in exchange for the uranium. According to Czipper's calculations all this produces an annual 500 million forints additional revenue for the state budget at most, and thus ore mining still costs a net 1.5 billion forints to the state budget.

The deputy minister stressed that MEV is not to blame for this situation. Both Hungarian and Soviet experts consider the mine to be modern, and regard the technical parameters of both exploitation and concentration appropriate. According to the deputy minister the plant has done everything possible to reduce costs in the interest of increased efficiency. Despite this fact the deputy minister feels that under the present circumstances the 1.5 billion forint net subsidy to be provided by the state budget cannot be maintained. Although according to the terms of the bilateral agreement MEV would have to deliver uranium to the Soviet Union until 1993, presumably there is a way to amend the agreement.

When making decisions one must also take into consideration that the mine directly provides work for 7,000 people, and a large number of people depend indirectly on MEV, located in the Baranya area which is experiencing particularly great difficulties. Compared to these figures it may come as little consolation that MEV must terminate the 3,000 jobs at the Mecsek Coal Mines, where 500 Polish miners found work, and the number of trained foremen is still insufficient. Thus a few hundred ore miners will find a place.

As of today the cost of closing down the mine is unknown. One thing is certain: Shutting down the mine would not be inexpensive, particularly in consideration of environmental protection requirements which make it necessary that the water flowing through the mine be treated. The city of Pecs, one part of which was named after uranium, would also suffer as a result of the

decision. Aside from residential subsidies and the unknown amount the mine is forced to spend on local political and social organs, MEV spent 20 million to 25 million forints on the city over the past 5 years—mainly for health care and infrastructural development purposes.

Finally, it is conceivable that within a few years MEV will be engaged only in the manufacture of instruments, research, and transportation, and not in uranium exploitation. These functions produce only a negligible part of MEV's sales revenues. What hurt most just a few weeks ago at the enterprise was that the decision was being made without providing MEV an opportunity to try what they could accomplish. The argument holds that although thus far they may have gotten used to the fact that the mine was a loss operation, the budget always provided financing, though often only after bitter bargaining. They believe that before the determination is made to close down the mine, the mine should be given a free hand to try to sell its product wherever it can do so at [the appropriate] price.

The ministry states that, despite the fact that pursuant to the uranium agreement the enterprise could sell the metal only to the Soviet Union, not too long ago MEV was authorized to conduct market research. In the event that it becomes possible to sell Hungarian uranium on world markets economically, there would be no political obstacles in the path of doing so, according to promises received. Although, considering today's uranium oversupply, the chances of a new supplier working with a high overhead are slight. Nowhere did they reveal what it costs to produce 1 kilogram of uranium in Hungary. But even the people at Pecs believe that it is likely that mining itself would not become economical. Professional literature does not foresee an increased demand for uranium prior to 1995.

Uranium miners pin their hopes to yet another possibility: to exploit new uranium fields. The enterprise is searching for uranium deposits close to the surface. Production costs in new fields would be reduced by 30 to 70 percent. It is likely that there are several fields of this kind within Hungary.

What Becomes of Uranium?

25000340a Budapest HETI VILAGGAZDASAG in Hungarian 17 Jun 89 p 50

[Text] Uranium ore may be found in primary and in secondary, or settled sites. The main difference is the ratio of inert material to uranium ore: Out of 1 ton of settled sand stone, the kind found in the Mecsek mines, one can extricate between 0.5 and 3 kilograms of uranium ore, while in primary sites 6 kilograms of uranium per ton of inert material is not rare. In the Mecsek region uranium ore may be found in dispersed nuggets, ranging in individual weight from several tens of tons to tens of thousands of tons. Initially, in the area of Kovagoszolos

uranium was exploited 50-100 meters below ground; by now, several shafts are 1,000 meters deep. Five shafts have been opened to date; of these two shaft no longer produce uranium.

The ore brought to the surface is ground in Mecsek. After extracting uranium from the ore, the uranium is enriched. This is the way uranium concentrate is prepared according to international requirements—the so-called yellow cake. This final product of the ore processing plant is shipped to the Soviet Union. The enrichment of the isotope takes place in the Soviet Union. In the course of this process the ratio of isotope No 235 within the uranium having an atomic weight of 238 is increased from its natural ratio of 0.7 percent to between 2.5 and 4 percent. This is the minimum isotope ratio which triggers the chain reaction. In this phase it is determined whether the uranium will be made suitable for military use or for energy production purposes. Out of "civilian" uranium, the nuclear power plant fuel, the heating element is prepared after the isotope enrichment. Because of its high cost and energy consumption, isotope enrichment is undertaken only by the largest users of nuclear energy.

POLAND

Polish-Soviet Trade Cooperative Described; Expansion Planned

26000590b Warsaw TRYBUNA LUDU in Polish 14 Jun 89 p 6

[Article by Wieslaw S. Debski: "Polish-Soviet Economic Cooperation: 'Agrika'"]

[Text] A new Polish address appeared in Moscow recently. During Wojciech Jaruzelski's April visit, a commercial chain called Agrika, a Polish-Soviet commercial production enterprise, was opened.

This is the result of the joint pursuits of the four partners: Agroprom Union for Cooperation With Foreign Countries, the Ramienskoje farm-processing complex, the Prodtowary Retail Trade Association, and Poland's Igloopol. The main shareholders are Prodtowary (49.6 percent) and Igloopol (34 percent).

Nature of the Operation

The name of the firm consists of two elements which connote the nature of the firm's activity. The trade part is clear: the sale of goods produced by the major shareholders. All sorts of conditions have been created for this. The trade chain includes a flower shop, a large food store, a perfume shop, and a cafe. And one can see that people have taken to the trade end of the operation. There are lines in the shops. Customers already have their favorite items. The day I visited Agrika, among our offerings I saw the following items in customer's shopping baskets: fruit juices, frozen food, jam, and meat "pyzy" [meat dumplings]. Jan Kryszinski is the firm's

deputy director and represents Igloopol's interests in the firm. According to him, the first period was largely market research, because not everything which "works" in Poland is accepted here. For example, they already were "burned" on pickled lung and hunter's cabbage stew, which instead hit Muscovites' stomachs rather than their hearts. Up to the present the research shows that the other food items sell quickly, and the same is true of the flowers, cosmetics, and ladies' fashion accessories.

Alongside Polish goods, the shops also sell Soviet products: hard sausage, candy, cheese, and many common items which are essential in a district of several thousand people.

Jan Krynski and his administrative partners Galina Klimashova and Anatolii Kuchirena say that the company's offerings will be continually expanded. The opportunities surely are there, because I did not notice many well-known Igloopol products, and I can only suppose that they will wind up here once rubles become competitive with the dollars we earn for prepared tripe and pressed pork knuckles.

Ambitious Plans

The second part of Agrika's name indicates that the company intends to engage in production, but that is just in the planning stage. There is the idea of baking bread and cake, and of preparing Polish dishes. But... I did not see any of this, so for the present I will not write more about it.

Aleksander Bogdanov, the young, energetic director, and his staff have interesting plans for the future. Part of these have already been carried out. The chain of stores will be expanded. There will be branches in Tashkent, Kiev, and Leningrad. A bakery is being built. There will be a wider range of items. Advertising will become more focused. Shops will be better equipped. Production will expand. The plans could probably also profitably include the opening of branches in Warsaw and other Polish cities.

The contract specifies that Igloopol is to receive Soviet goods in exchange for the frozen and processed foods and beverages. All such firms operate this way. For example, nearly 300 department stores in the two countries are based on similar principles of cooperation. Last year their sales amounted to 400 million rubles. But the situation has become more difficult since last December, when the Soviet ministers' council issued directive No 203, which established a list of prohibited exports. Let me add that the list is a very long one. Other restrictions have been implemented too. I talked to many Polish and Soviet trade people. They all agree that this directive is not going to facilitate the development of cooperation. They say that we must give up the mentality of the

shortages, which says that if we export goods, then we impoverish our own market. People forget that the market receives imports for which there is great demand in exchange.

Looking for Products

Director Bogdanov therefore wanders around Moscow factories looking for items allowed to be exported which might be attractive to us, and he says that his pursuits are successful.

Agrika shareholders are paving new ways to cooperation. If all their plans are carried out and the understandable early problems are overcome, they will help bring variety to our markets and at the same time make quite a lot of money. The latter aspect is important, because economic cooperation must be profitable for both sides. This principle was adopted in this case too.

1988 Statistics on Ecological Funding, Needs Published

26000568 Warsaw RZECZPOSPOLITA in Polish
6 Jun 89 pp 4-5

[Text] The Main Office of Statistics has released preliminary statistics on the state of the environment, its endangerment and protection in 1988. The analysis covers such problems as: air pollution and protection; water resources, their utilization and endangerment; changes in the earth's surface and soil contamination and degradation; hazards of industrial and municipal wastes; forestry resources and the preservation of nature and the landscape; and economic aspects of environmental protection.

General Assessment of the Ecological Situation

For years, the state of the environment has differed greatly from the standpoint of the degree of pollution and endangerment in different areas of the country.

In 1988, deterioration continued mainly in the ecologically endangered areas, which encompass about 11 percent of the country's surface but are occupied by over 35 percent of the population. In other regions, a slowdown in the pollution rate was observed, rarely a halt, but mainly in the upper range of the absolute values of the endangerment indexes for specific components of the environment.

To the results obtained we should add that air pollution by dust and sulfur dioxide remained steady (in Katowice Voivodship there was a drop in industrial emissions) and the amount of sewage flowing into surface waters, with the exception of salt waters, also remained at a steady level. There was a slight reduction in devastated and degraded land area and a large growth in protected land surfaces, particularly scenic parks and nature preserves.

Economic mechanisms for the implementation of environmental protection tasks have been improved. Of particular importance among them are the system of fees for economic use and the monetary penalties for failing to observe environmental-protection requirements, which, together with the targeted ecological funds and the list of financial preferences (allowances, exemptions, subsidies, credits) cause enterprises to become economically interested in protecting the environment and using its resources efficiently. But the effectiveness of the functioning of these mechanisms and preferences in the entire area of environmental protection has continued to be limited and in many fields no progress has been noted. In particular:

- The health of standing timber is deteriorating due to insufficient reduction of air pollution from domestic sources of emission, especially sulfur dioxide, nitrogen oxides, ozone, fluorine compounds, hydrocarbons and dust—intensified by the large inflow of emissions from across the borders.
- There has been no perceptible halt to the growth of the amount of industrial and municipal wastes stored in the environment.
- The disproportion between the rapid development of water-supply systems in the countryside and the failure to keep pace with the construction of sewer systems and sewage treatment plants continues, which increases the risk of health hazards and worsens the quality of the water resources.
- There has been no halt to soil deterioration and pollution caused by improper mineral fertilization and the use of pesticides. As a result, some food articles continue to be highly polluted.

Air Pollution and Protection

The primary sources of air pollution, from the standpoint of the amount and toxicity of emitted substances, are the public utility power industry, the chemical industry, metallurgy, and the construction-materials industry. Based on the amount of fuels and raw materials consumed, it is estimated that 60 to 70 percent of the global emissions in this country come from these sources. Boiler plants and household furnaces account for 15-20 percent of this, transport means 10-15 percent, and the rest comes from secondary emission sources (e.g. dumps, landfills) and natural sources (e.g., forest fires, dust storms, and cosmic dust).

The Main Office of Statistics conducts constant, annual studies on plants which pay air-contamination fees in the amount of 800,000 zlotys and more (100 percent higher for the Katowice and Krakow Voivodships). It is estimated that, taken as a whole, these fees cover over 90 percent of the emissions from all industrial and public utility power sources.

In 1988 industry and power were responsible for the emission of approximately 5.2 million tons of noxious gases into the air, of which over half—2.8 million tons,

were sulfur dioxides, 1.4 million tons were carbon monoxides, about 0.8 million tons were nitrogen oxides, and over 0.2 million tons were particularly poisonous substances (including fluorine compounds, hydrogen sulfides, carbon disulfides, ammonia, and a number of hydrocarbon derivatives. The above sources were responsible for the emission, in addition to gas compounds, of over 1.6 million tons of dust, including approximately 96,000 tons of metallurgical dust containing large amounts of toxic compounds of lead, zinc, cadmium, beryllium, mercury and many other deleterious metals.

Particularly deserving of emphasis is the fact that the emission of sulfur dioxides, mainly from public utility power plants fueled 80 percent by hard and brown coal, constitutes over 54 percent of the total emissions of gases from power-industry sources.

The increased acidity of the environment caused by air pollutants is responsible for a number of adverse changes: It reduces crop yields, damages standing timber, increases the corrosion of buildings and structures, acidifies and eutrophies surface waters, and has a detrimental effect on the health of the populace.

At present Poland is in first place in Europe from the standpoint of amount of sulfur dioxide emissions. The official sources of the UN European Economic Commission (experimental "Compendium of Environmental-Protection Statistics for Europe and North America," New York, 1988) give the following total amounts of emission of sulfur dioxides, nitrogen oxides and dust pollution by specific countries:

Country	Sulfur Dioxides per 1 sq km in Tons	Nitrogen Dioxides per 1 sq km in Tons	Dust Pollution per 1 sq km in Tons
Austria	1.7	2.5	0.6
Czechoslovakia	25.1	8.9	10.9
Finland	1.2	0.8	0.3
France	3.1	2.9	0.4
Spain	5.8	1.9	3.2
Holland	10.7	14.2	4.0
Canada	0.4	0.2	0.2
Norway	0.3	0.5	—
Poland	14.1	4.8	5.9 ^a
FRG	10.6	12.3	2.7
United States	2.3	2.2	0.8
Switzerland	2.4	5.4	0.6
Sweden	0.7	0.7	0.4
Great Britain	14.8	7.6	—
Hungary	15.2	4.3	5.3

^a Only from heavy industry and public utility power sources

Nitrogen oxides, in addition to sulfur dioxides, constitute the main gas pollution of the air both in Poland and throughout Europe as a whole.

They strongly acidify precipitation, are the main cause of photochemical smog, drastically accelerate the corrosion of stone buildings and metal structures (in synergy with sulfur dioxide), and also endanger human health because they irritate the respiratory system and weaken the general resistance of the organism to infectious diseases.

Environmental losses due to air pollution by nitrogen oxides are estimated at no less than 100 billion zlotys annually. Furthermore, this figure does not include the incomparable losses in human health and cultural losses (destruction of antiquities).

The main sources of the emission of nitrogen oxides in Poland are the combustion of solid fuels (approximately 50 percent) and the combustion of liquid fuels (approximately 30 percent). The remaining 20 percent of the emissions occur in the industrial processes. The share of the specific economic sectors in the total emission, which amounts to approximately 1.5 million tons per year, is estimated as follows:

Source	In Thousand Tons/Year	In Percent
Public utility power industry	500	32
Factory power industry	180	12
Technological processes (metallurgy, chemistry, construction materials, and others)	280	18
Motor vehicles	450	30
Dispersed sources (heat generating plants, municipal-residential boiler houses, household furnaces)	120	8

The bad situation in air protection is shown by the low degree of reduction, in protective devices, of gas pollutants generated. In 1988 for industrial and power industry sources this was 15 percent, while in the fuels-energy industry it was scarcely 3 percent. However, in the metallurgical industry it was 33 percent and in the chemical industry it was 46 percent.

The situation as regards dust-collecting equipment in factories looks considerably better. The average amount of reduction of pollutants in this case was approximately 95 percent, and in the public utilities power industry it even exceeded 96 percent. Thanks to the installation of highly efficient electronic filters, it was possible to trap approximately 29 million tons of dust.

The quality of the air in our country is enormously affected by the inflow of pollutants emitted by foreign sources, which merge with our domestic pollutants.

According to EEC figures, approximately 40 percent of the sulfur dioxides and as much as 75 percent of the nitrogen oxides settling on Polish territory are transborder emissions, mainly from the South and the West.

Water Resources: Their Utilization, Pollution, and Protection

From the standpoint of the amount of water resources, Poland ranks 26th in Europe and 22nd in terms of per capita.

The insufficient and meager (compared to other European countries) surface water resources (approximately 63 cu km, including 22 cu km of disposable resources) are limited in economic use by the small capacity of storage reservoirs, in which scarcely 6 percent of the river outflow per year can be stored.

In 1988 total water consumption for the needs of the national economy amounted to 14.3 cu km, of which 68 percent constituted the needs of the municipal economy. 11 percent went to agriculture (land irrigation and fisheries). In addition, it is estimated that approximately 1 cu km constituted water for the consumption and sanitary needs of the countryside and for farm-animal husbandry.

The main source of water supply was surface waters. They met 84 percent of the total demand for water.

Subsurface water satisfied the needs of both the municipal economy and industry, and constituted 14 percent of the share in the total consumption of water. In view of its high quality, this water should be assigned mainly for the needs of the populace and certain branches of the food industry (which require pure water). However, it is observed that they are being used intensively in such branches of industry as fuels-energy (50 million cu m), metallurgy (30 million cu m), electromechanical (90 million cu m), and others, which can use water of a poorer quality.

The utilization of pure mining waters is not satisfactory. Of the 0.8 cu km of these waters pumped out, of which 0.5 cu km were waters of class I and II purity, scarcely 38 percent went for household use. The reason for such low utilization of mining waters is that the mining plants have failed to observe the rule that mining waters suitable for supplying the population and industry should be removed separately, i.e., after pumping to the surface, the pure waters were mixed with the salted mining waters.

The most effective method for efficient water-management is the use of closed cycles, which allows the same water to be used many times, thus drastically reducing the amount of wastewater being discharged.

Of the 4,886 water-intensive plants included in the 1988 statistical reporting, 1,769 have closed cycles, and most of the plants (60 percent) were equipped with small cycles in which the water-intake indicator did not exceed 10 percent.

The total amount of industrial and municipal wastewater discharged into surface waters in 1988 was 12.1 cu km, of which 63 percent constituted cooling waters.

It is agreed that cooling waters connected principally with the public utility power industry do not require treatment before conveyance to a reservoir. But in practice, these waters, in addition to a temperature elevated by several degrees (described as thermal pollution causing unfavorable changes in the water environment), are often also polluted by oils and greases.

There were 4.5 cu km of wastewater in 1988 which required treatment, of which 37 percent was discharged into surface waters without any treatment. Of the wastewater treated, 55 percent was treated only mechanically, i.e., by a method consisting only of removing insoluble pollutants (solids and fats), while only 37 percent was treated by a biological method ensuring a correct degree of reduction of pollutants.

Of the total amount of 4.5 cu km of wastewater requiring treatment, 45 percent was industrial wastewater. Because about 48 percent of the industrial plants lacked wastewater treatment equipment and the flow capacity in 10 percent of the plants which had such equipment was too low, scarcely 75 percent of the wastewater was treated (including 50 percent treated only mechanically) and 25 percent of the industrial wastewater was not treated at all.

Municipal wastewater, conveyed through the city sewage system, is an important source of pollution of surface waters. In 1988, 2.5 cu km of wastewater was conveyed from 712 towns equipped with sewage systems. In addition, 110 towns did not have a sewage system and 374 towns did not have a sewage treatment plant and discharged 1.2 cu km (70 percent) of untreated wastewater directly into rivers and lakes. In 1988 four cities with a population over 200,000 (Warsaw, Lodz, Bialystok and Radom) did not have a sewage treatment plant. At the end of 1988, after 15 years of construction, a partial startup of the "Czajka" treatment plant was begun. It has a flow capacity of 100,000 cu m per day (final capacity will be 400,000 cu m) and will treat the wastewater from the right-bank (of the Vistula River) part of the Warsaw urban center. Sewage treatment plants are under construction in Lodz and Bialystok.

The large amounts of wastewater being discharged into surface waters, particularly untreated wastewater or wastewater not treated to a sufficient degree, plus the increasingly greater use of detergents, pesticides and artificial fertilizers, adversely affects the quality of the flowing waters.

A recent evaluation of the purity of rivers, prepared for the year 1987 and covering 175 rivers with a total length of 14,500 km, showed the following:

Class of Water Purity	Criterium of Evaluation of Water Quality	
	By Physical/Chemical Test	By Biological Test
	In Percentage of Length of River Sections Tested	
I—water suitable for drinking and selected industrial use	4.7	0.0
II—water intended for animal husbandry and recreational purposes	27.2	4.8
III—water for industrial purposes and farm irrigation	26.3	30.0
Extremely polluted water	41.7	65.2

No class I waters were found which would meet biological criteria (taking into account the Coli factor), thus disqualifying the use of these waters for consumption purposes.

Over half of the river sections tested (65 percent) did not fulfill the conditions of class III waters and for all practical purposes, the water flowing in these rivers was not suitable for commercial use.

The indicators pertaining to the purity of the two main rivers, the Vistula and the Odra, were especially disturbing. The enormous amounts of sewage discharged into these rivers meant that only class III waters and extremely polluted waters flowed in them. The Vistula River, 1,047 km long, was tested over a stretch of 872 km. Of this, 310 km fell into class III and 551 km fell into the unclassified category. The purity of the Odra was still worse. Throughout its entire length, 742 km, unclassified water made up 587 km (85 percent). At the same time, a systematic increase in salination of these rivers was noted. This is caused by the discharge into surface waters of increasingly larger amounts of salted mining waters, approximately 650,000 cu m per day, containing a salt load of about 7,000 tons.

Protection of the Land Surface and Waste Hazards

The total area of devastated and degraded land requiring recultivation and development at the end of 1988 was approximately 100,000 hectares. The records on this land do not include wastelands, whose surface has been increasing recently, e.g., in the 1978-88 period from 467,000 hectares to 500,000 hectares.

In addition, 3.5 million hectares which make up the poorest sandy soils, adjoining the wastelands, require land-reclamation fertilization, recultivation or afforestation.

Over 3 million hectares of land are threatened with erosion by very strong winds and 1.6 million hectares are being subjected to water erosion.

The total surface of lands endangered by flooding is estimated at about 1.7 million hectares. The antiflooding capacity of retention reservoirs is 0.6 cu km, which is about 25 percent of what is needed.

Extensive management of lands utilized by industrial plants is observed and the effectiveness of recultivation work is extremely low. For example, in 1988 scarcely 3,700 hectares was recultivated, which constituted 3.8 percent of the land devastated and degraded as a result of the dumping of wastes.

Of the total amount of 186 million tons of industrial wastes generated in 1988, approximately 106 million tons, i.e., 57 percent, was used for other economic purposes, however only 0.5 million tons (0.2 percent) was rendered harmless. The remaining mass of wastes, i.e., about 80 million tons (43 percent), was stored.

The low degree of economic use of industrial wastes, despite the inclusion here of the use of wastes as landfills, for shoring of riverbanks, for leveling of building sites, and the marginal scope of their neutralization, meant that at the end of 1988 the load on the environment exceeded 1.5 billion tons and in comparison with 1975 rose almost 2.5-fold.

The negative effect of the steady growth of industrial wastes on the state of the environment and on the efficient management of the earth's surface was intensified by the heavy concentration of these wastes in a few areas. Almost 68 percent of the total amount of accumulated wastes were in the three most industrialized voivodships: Katowice, 40 percent; Legnica, 21 percent; and Walbrzych, 7 percent.

The dominating share, in terms of quantity, of the wastes thus far accumulated in the environment, was from mining (including rock wastes) and processing plants (42 percent), and afterflotation slime and washings wastes (29 percent). In addition, there were large quantities of fly ash and slag (from power plants, public utility power and heat generating plants and industrial plants), mineral dust (15 percent), calcium phosphates (3 percent), and slag from iron and steelmaking (3 percent).

Wastes damaging to the environment, from the legal standpoint, do not include the vast amounts of land shifted around in strip mining and in all kinds of land work which deforms and destroys the storage surface. In 1988, this overlay amounted to 2.4 billion tons.

Municipal wastes are also increasing: The amount hauled to dumps has tripled since 1975 and in 1988 it totaled over 46.5 million cu m. The land area of approximately 1,500 legal municipal dumps covered a total of 2,600 hectares. In addition, there were many times more

that amount of small, illegal dumps. To that should be added the wastes from rural settlements and the liquid household wastes removed chaotically to various types of river overflows, cultivable fields, forests, roadside ditches, etc. There was no equipment at all to burn wastes and scarcely 0.1 percent of the total mass of municipal wastes were composted.

Forests, Protection of Nature, and the Landscape

Forests cover 8,672,000 hectares, which is 27.7 percent of the country's surface. This is lower than the average in Europe (31 percent) and in the world (30.5 percent).

In 1988 there was an increase of scarcely 4,000 hectares of forests, and if this downward tendency continues—a decline from 16,500 hectares in 1979 to approximately 6,000 hectares in recent years—while land is being steadily taken for nonforest purposes (about 2,000 hectares a year), then the 30-percent planned forestation, i.e., afforestation of approximately 700,000 hectares of wasteland and poor agricultural land, will take a very long time.

In 1988 there was a further increase in the amount of protected forestlands (8 percent), and they now make up more than one-fourth of all of the forests. This indicates the growing role of the function of the forest ecosystems, particularly those connected with protection of the soil, climate, water, health and recreation, and landscape.

The forest structure is made up primarily of artificial coniferous monocultures, covering approximately 80 percent of the surface. Seventy percent of them are pines, which have low resistance to negative factors. As a result of the excessive felling of forests in the last several decades and the afforestation of poor, postfarming lands, young stands of timber dominate (43 percent of the trees are no more than 40 years old), and there is a shortage of mature timber (15 percent over 80 years old), which determines the ecological qualities of the forest environment.

For several years the forests have been dying at an increasing rate. This process, which has already covered all of Central Europe, is connected with extreme air pollution, mainly by sulfur dioxide and nitrogen oxide. In Poland, the most gravely affected are the mountain trees, which are now dying out above the 700-800 m level, e.g., in the Izerskie Mountains, Karkonosze National Park on Snieznik Mountain, and in the Czantoria region. Pine forests are also dying around the Upper Silesia Industrial District and locally in many other regions of the country.

The share of damaged trees in Poland's forests is greater than in the FRG and Austria, and about the same as in Czechoslovakia. An estimate of the indicators on the structure of standing timber shows that as much as 74

percent of the land area of our forests is damaged, of which approximately 64 percent is due to industrial emissions and approximately 10 percent is due to fungi and insects.

Not one of the existing national parks is fully safe. Almost all (with the exception of Slowinski, Wolinski and Wigierski) suffer because of air pollution. The effects of this pollution differ. In Karkonosze they are disastrous—the entire forest is dying. Air pollutants, carried for long distances, are destroying all of our mountain parks. But local pollution is equally threatening. Even such a seemingly safe park as Bialowieza, surrounded by wilderness, suffers because of air pollutants carried from Bialystok Glade, which is becoming more and more built-up.

Half of the parks are endangered by industrial and municipal wastes and air pollutants from cultivated fields. For decades, the receptacle for wastewater from the hospital at Dziekanow and from many places in Blonia Summit has been the Kampinoska Wilderness. Wastewater from Bialowieza pollutes the Narewka River, which runs along the western boundary of the park. The lakes of Slowinski National Park, which make up 70 percent of its area, are polluted by municipal, industrial and agricultural wastes flowing in mainly by the Leba and Lupawa rivers. The very polluted Pradnik River runs right through the center of Ojcowski Park. Many shelters in the mountain parks have no waste-treatment facilities or they are inefficient. An additional threat are the land reclamations which result in a lowering of the surface waters and excessive consumption of subsurface waters (in the Kampinoski, Wielkopolski and Wolinski parks).

In 1988 seven new scenic parks were built and together with 43 buildings they cover more than 1 million hectares. In comparison with 1987, this is an increase of 29 percent. However, the danger to the ecology in the scenic parks is similar to that in the national parks.

There was no change in the number of protected scenic areas in 1988, which was undoubtedly due to the unsettled legal status of this form of nature preservation. The 155 facilities, which were created on the strength of laws passed by the pertinent voivodship people's councils, occupied an area of 3.2 million hectares, and in 26 voivodships thus far this type of environmental protection has not been singled out.

Monuments of nature, which are regarded to be valuable creations of animate and inanimate nature, numbered 17,200, including an increase of 1,200 in 1988. The number of monuments of nature is absolutely insufficient considering the fact that we are protecting mainly individual trees, erratic boulders, rocks, grottoes and caves.

Approximately 400 varieties of vascular plants, i.e., about 20 percent of those appearing in our country, are endangered. Thirty-one varieties have already died out and another 32 are dying out at this time. The flora of the water, peat and marsh environment has been the most affected. Weed-overgrown wastelands are arising in the most polluted areas and algae, moss, liverworts and fungi are disappearing. There are fewer and fewer flowering plants.

The present state of forestation does not correspond to social needs and expectations. The annual size of planting has settled at about 6-7 million trees and 12-12.5 million bushes, and effectiveness of the afforestation activity, based on the number of growing trees, does not exceed 20 percent. Such poor results are due mainly to improper organization of labor, poor quality of planting material, and neglect in conserving and protecting the afforestation.

What is worse, in many areas of the country the landscape is being deforested. Trees are being removed in connection with new investments, land integration, and land reclamation work. This is happening because afforestation problems and their ecological functions in land-management and planning are being ignored and because there is insufficient legal protection for standing timber.

Ecologically Endangered Areas

The state of the environment differs greatly, depending on the area of the country. In view of the range of the effect and the weight of the problems, environmental protection in the ecologically endangered areas demands special concern.

The classification of these areas was established in Council of Ministers Resolution No 21/83, dated 4 March 1983. These are regions in which the environment is exceptionally endangered and destroyed, in which the largest and most noxious sources of pollution by sewage, dust, gases and wastes are concentrated.

Twenty-seven ecologically endangered areas were singled out. In these areas a breakdown of the balance of nature has occurred as demonstrated by the loss of resistance, the elimination of the processes of self-cleansing, and the degradation of biological systems. The incidence of health hazards and environmentally associated diseases is also greater in these areas.

In 1988 ecologically endangered areas covered approximately 11 percent of the country's surface and they were occupied by over 13 million (35 percent) of Poland's population. The average population density—380 people per 1 sq km, was more than three times that of the country as a whole.

In these areas, the amount of wastewater discharged from industrial and municipal plants constituted approximately 61 percent of all of the wastewater in the country, and 58 percent of the wastewater which had not been treated at all. In view of the concentration of the discharge of wastewater from the southern part of the country (in the Upper Silesia and Rybnicki Coal Districts and the Krakow and Tarnow ecologically endangered areas there was approximately 30 percent of the total amount of wastewater requiring treatment and 28 percent of the wastewater not treated at all), the rivers flowing from these areas constituted sewers which, flowing into the Vistula River, caused a heavy pollution (including salination by mine waters) of waters in their upper, middle and lower course.

In the ecologically endangered areas, 75 percent of the country's emissions of dust pollutants and over 80 percent of the gas pollutants, mainly sulfur dioxides, were concentrated. They were released into the air from power plants, electric heat-generating plants, and large industrial plants. Air pollution in these areas was further increased by numerous small sources emitting gas and dust, and across-the-border sources. The low effectiveness of protective devices in these areas is shown by the approximate value of the pollutant reduction indicators, which were 94.7 percent for the dusts trapped in the dust-collecting equipment in the country as a whole, and 95.3 percent in the ecologically endangered areas. The figures for neutralized gas pollutants were 15 percent and 16.7 percent, respectively. The worst situation was in the Upper Silesia and Rybnicki Coal Districts and the Krakow and Tarnow ecologically endangered areas, where about 5 million people living on not quite 2.5 percent of the country's surface were exposed to the effects of approximately 30 percent of the country's dust emissions and 40 percent of its industrial gas pollutants.

The accumulation of industrial and municipal wastes constitutes a special problem in the ecologically endangered areas. Of the mass of about 1.5 billion tons of wastes accumulated in the environment by the end of 1988 on the sites of industrial plants in the entire country, as much as 93 percent lay in the ecologically endangered areas. The indicator of waste concentrations per 1 sq km of surface averaged 40,000 tons and was almost eight times the national average. The worst, in this respect, was the Rybnicki Coal District, which had 240,000 tons per 1 sq km, the Walbrzych ecologically endangered area with 200,000 tons per 1 sq km, and the Upper Silesia Coal District, with 115,000 tons per 1 sq km. The growing trend of burdening the environment with wastes is a disturbing phenomenon. For example, during 1983-88 the average value of the waste concentration indicator rose in the ecologically endangered areas by about 10,000 tons per 1 sq km. In 1988 approximately 150 million tons of industrial wastes were generated in these areas (in the country, 186 million tons), of which scarcely 0.2 percent was rendered harmless, 56 percent was utilized in the economy, and the

remaining 44 percent enlarged the dumps, storage yards, settling ponds and similar facilities for accumulating wastes in the environment.

Investments, Fees, Penalties, and Ecological Funds

In 1988 capital outlays for environmental protection, in fixed 1984 prices, amounted to 61.4 billion zlotys, a 6 percent increase over 1987. The share in total capital outlays in the public sector was 3.5 percent, and the share in the national income divided was 0.80 percent (1987 figures were 3.5 percent and 0.79 percent, respectively).

Outlays for environmental protection were made from the following budgets: central, 14.5 percent; local, 22.1 percent; the enterprises themselves, 52.4 percent; and from ecological-fund subsidies, approximately 11 percent.

Most of the money went for investments connected with water pollution (63 percent), land pollution (20 percent), and the least for air pollution (17 percent).

In 1988, 263 wastewater treatment facilities, with a total flow capacity of 658,000 cu m per day, were completed, of which 61.2 percent were of the mechanical and biological type. The flow capacity of all of the completed treatment facilities, as compared to 1987, was more than 38 percent greater.

As regards air pollution, equipment with the following pollutant reduction capacity was put into service: Dust, by 1.3 million tons per year, and gas by only 6,600 tons per year. This is a growth of 65 percent over 1987 insofar as the effects of dust pollutant reduction are concerned, and a decrease of 52 percent in equipment to neutralize noxious gas pollutants.

Equipment and facilities for the handling and neutralization of 2.3 million tons of industrial wastes per year, i.e., more than twice as much as in 1987, was put into service as part of the land-pollution prevention program.

The size of the endangerment and the degradation of the environment is determined by the activities of the production plants, and that is why their money should be the primary source of financing of expenditures for environmental protection. Part of this money comes from fees assessed for use of the environment and from the penalties assessed by the environmental protection offices against factories for violation of the ecological norms as defined by law.

The monies collected in the form of fees and penalties are accumulated in the appropriate accounts of the ecological funds: Environmental Protection and Water Management. The sums collected in the two funds are

allocated for the financing in whole or in part—through appropriate redistribution in the form of subsidies—of tasks in the field of environmental protection and water management.

In 1988 receipts to the Environmental Protection Fund totaled 68.6 billion zlotys, 36 percent more than in 1987. Of this, 91 percent came from fees and 9 percent from penalties. The money was spent as follows: 50 percent for water protection, 13 percent for air protection, 18 percent for handling and storing wastes, and the rest went for nature-preservation, scientific, and technical work, social deeds, and ecological education.

Receipts to the Water Management Fund amounted to 38.4 billion zlotys in 1988, compared to 36.5 billion in 1987. Forty percent of the expenditures went to water protection, 18 percent to the regulation of rivers and water reservoirs, 16 percent to water intakes and the sewage-piping network, 8 percent for flood prevention, and the rest for research work, fisheries, and the study of ecology and other subjects.

The weakness of the present system of functioning of both funds is their lack of integration and very limited economic activity, which consists of subsidizing enterprises, according to a fixed formula, should they undertake a protection-oriented task. This system excludes loans, stock in companies, financial assistance for the development of industry and construction working in behalf of environmental protection, and direct coverage of personnel costs connected with standardization of the consumption of environmental resources and assessment of ecological fees and penalties.

The Main Office of Statistics will have complete data on the state of the endangerment and protection of the environment late in June of this year. In the report giving the results of the studies, the statistics are grouped by voivodships, gravely endangered towns, and sectors, branches and subbranches of the national economy. In addition, in order to present specific subjects, special classifications have been used, e.g., ecologically endangered areas, hydrographic regions, delimitation of areas and protected buildings. This information will be given in a widely available publication of the Polish Statistics series, "Environmental Protection and Water Management."

Changes in June Farm Census Aimed at Decreasing Costs

26000590a Warsaw *RZECZPOSPOLITA* in Polish
16 Jun 89 pp 1, 8

[Article by (x): "Sampling-Based Agricultural Census"]

[Text] In place of the complete June census, a census will be conducted 20-30 June using the sampling method. The census will cover land use, sowing area, and number of head of livestock (like the full June census).

According to the Main Statistical Office, GUS, the way the figures will be gathered should not distort the data obtained (from that gathered during a complete June census), but it will produce considerable savings of money, materials, and human labor. From now on the complete June census will be conducted no more frequently than two times in 5 years, that is, at the end of the 5-year socioeconomic development plan and during the second or third year of its implementation.

This year the sampling-based census will be conducted on a test sample of about 135,000 farms. The sample of randomly selected farms was increased to improve the reliability of the data obtained, especially for totals.

The user of the farm selected at random is required to give the person conducting the census information that matches the actual situation. The data gathered on the census forms will not be used for any other studies, except statistical tables. The farm user/owner's name will not appear on the census form. This is an anonymous form. The farmer will no longer be required to sign the form either, the way he used to.

In the socialized economy, the gathering of data on land use, sowing area, and livestock will be based on statistical reports.

The sampling-based census data collected this year will be elaborated jointly for the whole country and published in July (livestock head count) and August (land use and sowing area), that is, at about the same time as when the full June census was conducted.

GUS is calling upon all farm users/owners to kindly give truthful responses to the people conducting the census.

ROMANIA

Hardships Persist After Debt Payment

36170099 Helsinki *HELSINGIN SANOMAT* in Finnish
18 Jun 89 p B4

[Article by editor Max Wilhelmson, who recently returned from an extensive tour of Romania: "Whole Country Into One Mold"; first paragraph is HELSINGIN SANOMAT introduction]

[Text] Transylvania—They are still destroying old rural settlements in Romania, and in their stead will be concrete tenements and industrial buildings.

There is not much more left of the Transylvanian village of Zlatna than a clay field. The old people of the village stand there in silence and gaze on the ruins the excavating machines have just left behind them.

In Alba Iulia, rural settlements are rapidly being transformed into tenements and industrial plants.

Villages are still being destroyed in large numbers in different parts of Romania. President Nicolae Ceausescu has not abandoned his plan to tear down half of Romania's more than 13,000 villages and small towns, despite the fact that he had earlier said he would.

Excavating machines and bulldozers are at top speed implementing Ceausescu's view of a future in which people of different ethnic origins and residing in different localities—city dwellers and peasants—will constitute one and the same Romania.

A village culture many hundreds of years old is being destroyed as people are forced to move into the new "agroindustrial centers"; the program is referred to as "integration" of the rural population. The country's large minority groups—above all, the 2 million Hungarians and 200,000 Germans—are being forced to live in concrete rental barracks among Romanians.

"Ceausescu regards people as production units that he can treat as he pleases. His goal is a maximally productive human being, not people's comfort, well-being, and happiness," Eugen, a bitter young man from Alba Iulia, said.

The village of Cimpeni in Western Romania has been turned into an "agroindustrial complex." The sight is a tragic one: Where there was a peaceful, if old-fashioned, community of about a thousand residents before, there are now heavy industry, farming, and apartments jammed against one another.

Horses and wagons are still Cimpeni's most important tools, but, instead of their own small homes, there are tenements that look run-down even though they are new. There are mud and dirt everywhere. One block of apartment houses is only 10 meters away from a big industrial area, where smokestacks belch thick black smoke.

"Before the integration program, people here were very poor, but they had enough to eat and they felt that their livelihood was somehow secure. This is like a nightmare," the young man said in that part of Cimpeni where the Communist Party office is located.

The ICOMIS organization, which has its headquarters in Paris and keeps watch over historical buildings for the UN organization—UNESCO, among others—estimates that there were at least a hundred localities in the throes of integration in May. It is impossible to say what the exact number is because it is difficult to obtain accurate information from Romania.

Big Shortage

There is not much cause for joy in the lives of ordinary Romanians.

In the evenings it is dark in the villages and towns because [the government] is economizing on electricity. The brief telecasts every evening consist primarily of communist propaganda and praise of Ceausescu and his wife.

Although the country's leaders announced in April that the entire foreign debt would be paid, there is a constant shortage of nearly all foodstuffs and supplies.

"The situation is just getting worse every day. We believed that the situation would improve once the debt was paid, but now even bread is rationed. We get only 300 grams per day per person. We can buy half a kilogram of meat a month. This is worse than during the war," Mathias said.

He is one of Romania's ethnic Germans. He works in industry and lives in the town of Sibiu, which the Germans call Hermannstadt.

Mathias said that material conditions were still good in Romania in the 1970's, but, since then, they have steadily worsened. He emphasized that the whole population is mistreated, not only the minorities. Officially, "Ceausescu's golden age" is in progress.

"The worst of it is not that the shops are empty but that everyone walks about in fear. The slightest criticism or suggestion of improvements may be enough for the security police to start to harass you," Mathias said.

Like other ethnic Germans and Hungarians in Romania, Mathias is waiting for permission from Bucharest to leave the country. He and his family have applied for a permit to emigrate to West Germany, but he calculates that he will have to wait another four or five years. The West German Government pays Romania a large sum in German marks for each German who is allowed to leave Romania.

Troubled and Angry

Few people in the West believe that Nicolae Ceausescu, 71, who has ruled Romania for 20 years, the relatives who have served as assistants, and followers occupying important posts are ready to provide the population with more tolerable living conditions now that the foreign debt has been paid. Funds are expected to continue to be poured into heavy industry.

Romania has quickly paid off its debt, which was nearly 40 billion markkas in 1980. Aside from adding to the people's suffering, it slowed down the modernization of industry. This is probably why the government is using the trade surplus—over 4 billion markkas last year—to buy new technology for industry.

The nation's morale appears to be at its lowest ebb in history. Border guards are prepared to take a favorable view of a tourist's luggage for a pack of foreign Kent

cigarettes—they are now unofficial currency—or for half a kilogram of coffee. A housewife has to dig a roll of lei bills out of her handbag at the official currency exchange office for a pack of Kents and then go shopping at a better exchange rate than the official one.

Scanty reports leak out of Romania, and they are often contradictory. Romanians are familiar with the rule that they must report any conversation with a foreigner to the police within 48 hours. One will certainly get into trouble or be expelled from the country if one seeks contact with one of those rare Romanians who openly dares to criticize the government. Films and notes have been confiscated from many visitors.

A tour of about 2,000 km through the rural areas of Romania revealed that the inhabitants are often troubled and angry because of the uncertainty of the future. The

next village to be torn down may just be theirs. Romania's Hungarians and Germans are frustrated because officials are constantly placing restrictions on their opportunities to use their native languages.

There are reports that some local authorities oppose integration and that the more courageous of these are delaying its implementation.

Since public transportation is almost nonexistent in rural areas, privately owned cars are often filled with hitchhikers—farmers, students, and workers. Many of them have nothing positive to say about life in Romania. The more cautious ones just shake their heads and snort angrily when billboards extolling the Ceausescu era flash by on the side of the road.

"Even if Ceausescu were to die or he were to be ousted tomorrow, it would probably be many years before political and economic reforms could be introduced—so completely has Ceausescu destroyed Romania," said Maria, a Hungarian student in Cluj.

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